



**REPORT**  
OF THE  
**PUBLIC ACCOUNTS COMMITTEE**  
ON THE  
**ACCOUNTS OF 1927-28**

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**Volume II—Evidence**



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**Evidence taken at the first meeting of the Public Accounts Committee held on Monday, 12th August 1929, at 11 a. m.**

PRESENT :

- |   |                             |
|---|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER.                            | <i>Chairman.</i>            |
| (2) Mr. T. A. K. SHERVANI.                                      | } <i>Members.</i>           |
| (3) Mr. B. DAS.   |                             |
| (4) Mr. S. C. MITRA.  |                             |
| (5) KUMAR GANGANAND SINHA.                                      |                             |
| (6) MAULVI ABDUL MATIN CHAUDHURY.                               |                             |
| (7) Mr. K. C. NEOGY.  |                             |
| (8) MAULVI MOHAMMAD YAKUB.                                      |                             |
| (9) Mr. K. C. ROY.  | } <i>Were also present.</i> |
| (10) Sir FREDERIC GAUNTLETT, Auditor General.                   |                             |
| (11) Mr. J. E. C. JUKES, Controller of Civil Accounts.          |                             |
| (12) Mr. O. A. TRAVERS, Accountant General, Central Revenues.   |                             |
| (13) Mr. A. C. BADENOCH, Director, Commercial Audit.            |                             |
| (14) Mr. B. NEHRU, Deputy Auditor General.                      |                             |
| The Hon'ble Mr. E. BURDON, Financial Secretary, <i>Witness.</i> |                             |

*Chairman.*—The first document that has generally been considered is the Resolution of the Finance Department. I hardly think it is necessary that I should read this paragraph by paragraph. The best thing will be j st to go through it and let me ask whether any members have comments to make. Is there anything to be said on paragraphs 1 or 2 ?

1. *Mr. Neogy.*—Paragraph 1 refers to an epitome which the Auditor General has prepared on the basis of the Reports of the Public Accounts Committee. I at least have not seen a copy of that.

*Sir Frederic Gauntlett.*—That is now in the p ess, Mr. Neogy. It was completed during the course of the cold weather and the final proofs have been sent to the press.

*Mr. Roy.*—Will it be given to all the members of the Legislature or only to members of this Committee ? I have seen a draft copy and think it will be very useful. May I suggest that it should be given to every individual member of the Legislative Assembly ?

*Mr. Burdon.*—I have no objection. Any member of the Assembly who chooses to have a copy will be supplied with one if he will apply to me.

The members of the committee will automatically get a copy each.

2. *Maulvi Abdul Matin Chaudhury*.—Paragraph 2. This paragraph says that there is no general tendency to overestimate voted expenditure. I do not think that our remarks in paragraph 7 of the Report warrant this conclusion. What we emphasised last year was that there was no deliberate tendency to overestimate.

*Chairman*.—That is quite a justifiable observation, and I agree that it would be more accurate to say that there was no general tendency towards deliberate over-estimation.

3. *Mr. Neogy*.—Paragraph 3. May I know whether the Government's intention is to place these belated demands before the Assembly only if time permits? Should these not be fitted in somehow into the Assembly programme?

*Mr. Burdon*.—The intention is this: that on every occasion when we get the material in the Finance Department we will apply to the Legislative Department for a day to be given to us: but it is conceivable that the Legislative Department may say that there is no official day left. The Finance Department will on every occasion apply for a day.

*Sir Frederic Gauntlett*.—If no day could be found for those grants in the Assembly, the Public Accounts Committee would probably be faced with a large number of excesses over grants which they would be called upon to express an opinion upon and the Committee could then say that a great deal of it might have been avoided if the Government had granted a day for the passing of the supplementary demands.

*Mr. Roy*.—The main function of the Assembly is to pass Bills and vote grants and I think that the Government of India have taken a very casual view of the matter in paragraph 3. The Public Accounts Committee would be right in making a fresh representation to the Governor General in Council and saying that opportunities must be found during the session for the discussion of all supplementary grants, as the voting of grants was the primary function of the Assembly.

*Sir Frederic Gauntlett*.—I agree that it would be an eminently proper remark for the Public Accounts Committee to make, and suggest that one day should be fixed apart for supplementary demands only.

*Mr. Burdon*.—This is done but the difficulty arises with grants coming in late at the last moment.

*Chairman*.—I agree with the view of the Committee that the Finance Department must not accept from the Legislative Department a statement that time cannot be found for presenting supplementary demands.

4. *Maulvi Mohammad Yakub*.—Paragraph 7. I want to know if the reforms inaugurated in Calcutta and Bombay as regards Customs receipts have been extended to other ports.

*Mr. Burdon*.—The matter is still under consideration as it involves a large amount of expenditure; I propose to discuss the matter at a fairly early date with the officer on special duty.

As regards the other outstanding items referred to in this paragraph one was to have defined the position of the Financial Adviser, Military Finance, in matters relating to military finance, no other was the question of the communication to Audit through the Finance Department of orders of administrative departments, so that Audit might know in all cases, where expenditure had been sanctioned, that it had been done with the concurrence of the Finance Department who would thus, in all cases, perform their special function of seeing that expenditure was regularly incurred. In regard to these, orders have been issued on each and every point.

*Mr. Roy.*—Does the Finance Department consider the present system of check of receipts to be satisfactory ?

*Sir Frederic Gauntlett.*—The primary cause of the appointment of Mr. Rajagopalan to investigate the system of accounts and audit was a comment made by the Public Accounts Committee two or three years ago to the effect that the audit and accounting arrangements required further scrutiny.

*Mr. Burdon.*—The position is that the further scrutiny has not yet been finally completed but that it is going to be completed as early as possible.

5. *Mr. Burdon.*—Paragraph 9. A resolution on the matter, which has been accepted by the Auditor General and by all Departments of the Government of India and which embodies the principles recommended for adoption by the Public Accounts Committee will be issuing in the next week's Gazette.

6. *Mr. Abdul Matin Chaudhury.*—Paragraph 10. May I know under what provisions of the Indian Telegraph Act such a concession was granted.

*Mr. Burdon.*—The only answer I can give is that to the best of my knowledge the power of the Government of India to give the concession has not been challenged in audit, though the Auditor General has known about the whole matter at any rate since the last session of the Public Accounts Committee.

*Sir Frederic Gauntlett.*—For years past I have acted upon a pronouncement of the Legislative Department many years ago that Government as Government outside statute altogether had an inherent right to waive a Receipt, and that pronouncement has been queried in the Legislative Department itself within the last two or three years. Whether the doubt has ever yet been set at rest, I, as Auditor General, have no knowledge. Therefore my position as Auditor General is very difficult with regard to this question. I do not yet know what is the legal pronouncement on the question by the Government. There are apparently two legislative opinions which contradict each other.

*Chairman.*—Are you confining it to the legal aspect of the matter ?

*Sir Frederic Gauntlett.*—I might query it as a matter of policy as well, but with regard to the interpretation of the statute, it has always been my practice to attach very great weight to the opinion given by the Legislative Department and to the opinion of the responsible Legal Advisers of the Government, but I have reserved to myself the right as an Auditor to ask the Secretary of State to obtain the highest possible legal opinion, that is, the opinion of the Law Officers of the Crown. That is my position at present. In the case of legal interpretations I am obliged to attach very great weight to the opinion expressed

by the Legislative Department. Mr. Jukes tells me that he thinks there is a pronouncement of the Secretary of State on this point. The whole question requires threshing out.

*Mr. Roy.*—What is the nature of the pronouncement ?

*Sir Frederic Gauntlett.*—I remember the despatch of the Secretary of State. The whole question of the right of the Government of India to waive revenue raises the question whether the Secretary of State reserves power to himself. As I said, I remember the despatch of the Secretary of State. The question which was raised there was whether it could be done by the Government of India without reference to the Secretary of State, and he said that in casual cases he would allow the Governments in India to exercise their right, but that there should be no important change of policy without his sanction. It was a general question, and the legal question was not raised then.

*Mr. Roy.*—The particular question is this : Has the Governor General any right to waive any claims ?

*Sir Frederic Gauntlett.*—I, as Auditor General, would be very glad to see a very carefully considered opinion on that point.

*Mr. Shervani.*—If any pronouncement has been made on the point, may we know what it is ?

*Sir Frederic Gauntlett.*—My recollection is that up to a year or two ago the view that held the field was that expressed by Mr. Macpherson when he was Secretary in the Legislative Department. He expressed the view that Government as Government had an inherent right to waive revenue even though the Government raised revenue through the operation of the statute. As I said, about two or three years ago Mr. Graham on another file expressed a view which seemed to differ from that which had been expressed by Mr. Macpherson. I remember at the time asking the Legislative Department if they could reconcile the two views, and so far as I know, I have never yet received a reply.

*Chairman.*—The legal point is no doubt important, but, since the pronouncements which you refer to, a good deal has been done in clearing up the principles on which the Government carries on its commercial departments ; it seems to me that this is a practical point.

*Mr. Das.*—The point that was very much in my mind last year was the question of grant of free railway passes to contractors. (The Auditor General at this stage observed that the Committee were taking up a lot of time on a comparatively unimportant individual case.)

*Chairman.*—The Committee made a recommendation which the Government of India has taken note of and has really endorsed.

*Mr. Mitra.*—What we want to know is whether it is a right claimed by the Government of India as an inherent right or it is a right claimed under some laws or rules.

*Mr. Burdon.*—I will find out what the position is.

7. *Mr. Burdon.*—Paragraph 11. The rules have been published.

*Mr. Neogy.*—May we have a copy of those rules ?

*Mr. Burdon.*—I agree to circulate\* these rules to the members of the Committee.

*Mr. Neogy.*—May we have a copy of the Burma rules also ?

*Sir Frederic Gauntlett.*—Those rules were framed on account of embezzlements in the Burma Treasuries.

*Mr. Burdon.*—When the first embezzlement in the Burma Treasury came to their notice, the Government of India wrote to the Government of Burma and when there were further embezzlements, His Excellency Sir Charles Innes took up the matter very definitely and the Burma Government made certain arrangements in regard to the training of officers, in regard to impressing upon officers the seriousness of these embezzlements and also in regard to the posting of officers, the selection of officers for Treasury work, and finally in regard to the inspection of Treasuries. That was all done entirely on account of a particular set of circumstances.

*Kumar Ganganand Sinha.*—What about the disciplinary action by the Government of India in such cases ?

*Mr. Burdon.*—Where a local Government is performing agency functions for us, we must leave it to the local Government to decide what should be done with regard to their employees through whom they carry out the work for us. We cannot assume the right to say to a local Government that they shall punish such and such a Treasury Officer in such and such a way. We must assume that the local Government will assume a proper standard in these things. That at any rate is the conclusion which the Government of India have come to.

*Maulv Mohammad Yakub.*—Is there any provision for the training of officers in other provinces ?

*Sir Frederic Gauntlett.*—In the United Provinces where separation has been experimentally effected, the Treasury Officers now form part of the self-contained cadre of the Provincial Accounts Service. Some of the Deputy Collectors who had been Treasury Officers for a long time were brought into the service, but the work is gradually being taken over by the newly constituted Provincial Accounts Service so that it becomes a technical body of officers, some of whom are employed as Treasury Officers, some as Pay and Accounts Officers, and then they rise to their highest grade. In other provinces, I think certainly every member of the I. C. S. has a period of training in Treasury ; so also I think every member of the P. C. S. has a period of training in Treasury.

*Maulvi Mohammad Yakub.*—Taking the lesson of Burma embezzlements have you issued instructions to take precautionary measures in other provinces ?

*Mr. Burdon.*—The circumstances in Burma were altogether exceptional.

8. *Maulvi Mohammad Yakub.*—Paragraph 12. Were the observations made by the Committee transmitted to the officers in charge and were they carried out by them ?

*Mr. Burdon.*—I think this is a point for the representatives of the Industries and Labour Department to answer.

9. *Sir Frederic Gauntlett*.—Paragraph 13. Action has already been taken, and automatic arrangements have already been introduced by means of some specific entry in Audit Registers so that the Auditor shall know at once when a sanction ceases to operate.

*Mr. Shervani*.—What about other departments ?

*Mr. Burdon*.—Please see the remarks against Appendix A, item 11, of the Military Appropriation Accounts showing to what extent the recommendations have been complied with.

10. *Maulvi Mohammad Yakub*.—Paragraph 15. Has the examination of the question of quinine taken place ?

*Mr. Burdon*.—It is still in progress. The production has been diminished for the time being. The Education, Health and Lands Department will be able to give information about this, but I do not think they are likely to give anything conclusive, because one of the recommendations of the Royal Agricultural Commission is that the production of cinchona should be taken over by the Central Government and that raises very difficult questions indeed. Cinchona is not a monopoly like opium. But if the Government of India were to take over the plantations and the factories which are now run by Madras and Bengal, the Government of India would have to do what the Provincial Governments are now doing for its cultivation and manufacture. It is merely a pioneer industry which Government has undertaken in order to prove that it is commercially practicable and also because Government requires very large stocks of quinine, but there is no reason whatever why any private individual should not start growing cinchona. In practice, however, it is only the Government which grows it.

*Maulvi Mohammad Yakub*.—You won't prohibit anybody from growing it ?

*Chairman*.—No, not at all ; Government would only be very glad if private enterprise took it up.

11. *Kumar Ganganand Sinha*.—Paragraph 16. I should like to know on what lines would the Auditor General modify the accounts as mentioned in this paragraph.

*Sir Frederic Gauntlett*.—I think I mentioned it to the Committee last year. Several years ago I spent several months in going through the accounts of every province and in cutting down the heads to the absolute minimum, but ever since the Reforms every province has insisted on having more and more detailed heads, and I am not sure that the Government of India does not adopt the same attitude. I can cut down as many detailed heads as I like, but the number of heads must eventually be governed by what the provinces require.

12. *Mr. Das*.—Paragraph 17. Inconvenience is caused to members by the non-receipt of the various administration and other reports in time to understand the appropriation accounts

*Mr. Burdon*.—These reports are innumerable and it is not everybody who wants them. We could circulate lists showing the administration reports available and each member of the Committee could mark what he requires and send back the list and we could then send the reports required.

13. *Mr. Mitra.*—Appendix II, item 1. How is it that it is stated in the "Remarks" column that "the separation of the legal union between the Church of England and the Indian Church will not take place till September 1930," while in the previous year's report it was stated that the Act had been passed in 1928.

*Sir Frederic Gauntlett.*—What happened was that the measure was passed in England but most of the provisions had effect from some date which was called the date of severance and it was left to the Government to fix the date of severance within a period of two years from a specific date. This date given here—September 1930—I presume, is the date fixed by the Government of India.

14. *Mr. Neogy.*—Item No. 4, *ibid.* What are the recommendations of the Auditor General?

*Sir Frederic Gauntlett.*—My recommendations are that we should introduce a scheme of audit on the company lines which is practically the same as the scheme of audit which has been worked out for application on the State lines after separation. My view is that there is no reason whatever why I should not apply exactly the same form of audit to company lines as we do to State lines and the whole of my recommendations are based on that fundamental principle. Regarding the scheme of audit on State lines we have the recommendations of Sir Arthur Dickinson. These have been slightly modified by myself and I might say, in almost every direction, I have applied a slightly smaller audit than Sir Arthur Dickinson had recommended and after very careful consideration, I have worked out what I regard as an adequate scheme of audit on railways under present conditions. The conditions on company lines are certainly not better than on the State lines and therefore the same scheme of audit should apply to company lines. That is the fundamental principle of all my recommendations. The recommendations are merely to obtain the establishment which I deem to be necessary to give effect to that general view.

*Kumar Ganganand Sinha.*—Have the Directors of the companies accepted that?

*Sir Frederic Gauntlett.*—I doubt whether it is necessary to consult them. It is the Finance Department which is now considering these proposals.

*Mr. Neogy.*—May I know what stage has been reached in the consideration of this question?

*Mr. Burdon.*—It has reached the Financial Secretary. I have not yet had time to take it up; it is an exceedingly heavy file. It involves 5 or 6 lakhs a year and I want to go through the thing very carefully. Moreover the Financial Commissioner was ill and was in hospital and he has just come out. It was my intention to talk over the matter with him before I came to a final conclusion.

*Sir Frederic Gauntlett.*—I think they have accepted the principle. I am not quite certain how far they have accepted the establishment which I deem to be necessary to give effect to the principle.



*Mr. Burdon.*—I think that the whole matter will be dealt with before the end of October.

15. *Mr. Burdon.*—Item No. 20, *ibid.* I think very much the same considerations apply here as I have mentioned on an earlier occasion. I do think it is very desirable indeed that they ought to have some local office doing accounting and internal check and the present proposition is that an office of the old type should be set up—a local office in the Andamans to assist the Chief Commissioner and it would be under the A. G. C. R.

*Sir Frederic Gauntlett.*—My idea is that Mr. Srinivasa Rao who has gone out in connection with working out a scheme for Shan States should go out to the Andamans.

*Mr. Burdon.*—I will certainly agree to that.

*Mr. Roy.*—What will be the expenditure involved ?

*Mr. Burdon.*—I cannot tell you that offhand. It will not be a very large item.

*Sir Frederic Gauntlett.*—Both the Home and the Finance Departments have accepted the principle and it is only the working out of the details that remains.

16. *Mr. Burdon.*—Item No. 23, *ibid.* The reply of the Secretary of State is this, "I have considered in Council your despatch on the subject of secret service expenditure and I approve of your proposals".

(Mr. Burdon read out important portions of the proposals and said that as the Secretary of State's reply was only received last month detailed rules have not yet been framed. The Committee satisfied itself by eliciting from Mr. Burdon that it was only very high officials that certified the expenditure.)

17. *Mr. Burdon.*—Item No. 25, *ibid.* That has been agreed to and does not require any comment.

18. *Mr. Burdon.*—Item No. 27, *ibid.* The permanent Budget Officer has got these papers under consideration. He has not been able to go on with them as fast as he wanted to.

*Chairman.*—I have also got a great many points to settle in connection with the Provincial Loans Fund.

19. *Mr. Burdon.*—Item No. 39, *ibid.* A complete reprint of the C. S. R. has since been issued. I should like to explain to the Committee that amendments to the C. S. R. are now published in the Gazette in the form of resolutions because the rules are statutory rules and correction slips are then issued by the press to the subscribers who are on the list of subscribers to the C. S. R.

20. *Mr. Burdon.*—Item No. 40, *ibid.* The information asked for by the A. G. C. R. was furnished to him on the 25th June 1929.

21. *Mr. Burdon.*—Item No. 1, Appendix III. This matter has been considered by the Government of India, I think in Council, and the definite conclusion arrived at was that it is impracticable to withdraw from the existing incumbents any privileges allowed by the existing rules. You cannot take away the vested rights of existing incumbents. Further, the decision was that no step should be taken towards the alteration of the leave rules of the All-India Services. It was considered that this was a matter which should be taken up

later on when it was known what was to happen to the All-India Services. It was also stated that the Finance Department should be at liberty to devise special leave terms to govern the men recruited in future for the Governor General in Council's services. As a result of this order of the Government, the Finance Department formulated certain proposals which were considered appropriate to the case of public servants serving in their own country as it was considered that future entrants into the services mentioned would probably be all mostly entirely individuals of Asiatic domicile. These proposals were discussed at the Conference of Financial Representatives of the Provinces held in November 1928 and it was decided in the conference that the Government of India should initiate action in the matter by referring officially to the various Local Governments their proposals on the subject. The Local Governments were addressed on the 28th January 1929 and so far we have received replies from the Governments of Bombay, Bihar and Orissa, the Central Provinces and Burma. The position which the Government of India took was that they really must act in concert in this matter with the Local Governments as the Local Governments and the Government of India in respect of these services are competing in the same field for suitable candidates. It is a question of cutting down the leave rules very considerably indeed and it can only be done for future entrants and we are trying to arrive at a solution simultaneously with the provincial Governments in regard to provincial employees.

*Mr. Roy.*—You do not know what the conditions of service are in the provinces. If you have a complete ministerial form of Government in the Punjab, for instance, they will decide the question of recruitment, leave rules and pensions and the Government of India will have no liability. It will be a waste of time now to deal with this.

*Mr. Burdon.*—At any rate we have formulated certain principles whose basis is to get leave terms appropriate to the case of public servants serving in their own country. What it really boils down to is this, an annual holiday of a month with liberty to accumulate, but with certain provision for sick leave in addition. That is the real basis of the whole matter.

*Mr. Roy.*—All the provinces may not be of the same view as to the conditions of service. I am surprised that you were able to get the provincial Finance Members to agree to an initiative by the Government of India.

*Mr. Burdon.*—The Local Governments have communicated that they are ready to follow on the same lines as we do.

*Maulvi Mohammad Yakub.*—Would it not be useful to have uniform rules for all the provinces?

*Sir Frederic Gauntlett.*—Nobody can force uniformity upon Local Governments. I do know from my own practical experience the very great trouble that is caused, for instance, because each province has framed its own travelling allowance rules and a man travelling from one province to another finds it almost impossible to know what the travelling allowances are in each province. These things are very troublesome. At first Local Governments were so proud of obtaining some little power that they showed their power at once by making rules without regard to uniformity. I am sure

that the Local Governments will find in many directions that uniformity is desirable. They all desire to go off on their own at first but I hope they will come back to uniformity at the end.

22. *Mr. Burdon.*—Item No. 2, *ibid.* A memorandum has been circulated to the members of the Committee and it will be found in Appendix VI. It was issued with the concurrence of the Auditor General in India.

23. *Sir Frederic Gauntlett.*—Item No. 3, *ibid.* I have raised the question in my comments this year whether in the light of the Secretary of State's latest orders on the subject the reserve serves any useful purpose at all. In fact, there has to be a supplementary grant wherever the money is spent unless money can be found by reappropriation within that grant.

*Mr. Roy.*—He does not like the idea of the Fund ?

*Mr. Burdon.*—It requires an amendment of the Act. The Secretary of State has raised no objection but merely says that it requires an amendment of the Act. The Act will have to be amended in respect of many matters.

*Sir Frederic Gauntlett.*—All that I suggest is that the law being what it is at present, the reserve serves no purpose.

*Mr. Burdon.*—In regard to the point which the Auditor General has raised, we propose to send him a reply very soon. I do think, as a matter of fact, that there is something in our previous practice which requires to be corrected. I should like to consult the Auditor General about it and I will do so departmentally.

24. *Sir Frederic Gauntlett.*—Item No. 4, *ibid.* The position with regard to this item is this. In the light of the various comments which were made at the Conference, I have addressed every Accountant General and asked him to consult the Local Government with regard to the rules as a whole and the specific comments of the Conference and to obtain the views of the Local Government and of the Accountants-General on the detailed proposals. The rules were accepted in principle but comments were made on some of the rules which require more detailed consideration.

*Chairman.*—At any rate, that is proceeding as far as it can ?

*Sir Frederic Gauntlett.*—Yes, the initiation of the rules has already been done.

25. *Mr. Burdon.*—Item No. 5, *ibid.* This has already been dealt with. See remarks on paragraph 7 of Resolution No. D.-1407-A., dated the 7th May 1929.

26. *Mr. Burdon.*—Item No. 6, *ibid.* This is a matter of some importance. At any rate, it is part of a rather larger matter which is of some importance in which I have been very much interested. You know that for many, many years, on the Army side, there has been a provision in the preamble to the Royal warrant of pay which gives authority for the stoppage of pay and allowances to secure recovery of any public claim, debt or disallowance. On the Civil side, apparently, we have not got anything of the kind, and steps are now being taken towards that end. It has not led to any great practical difficulty

in the past, but it is desirable that there should be a similar provision on the Civil side as there has been on the Army side for years, and I am trying to bring the matter to a head as soon as possible.

27. *Sir Frederic Gauntlett*.—Item No. 7, *ibid.* This has been settled.

28. *Mr. Burdon*.—Item No. 8, *ibid.* The Secretary of State has deferred consideration.

29. *Mr. Burdon*.—Item No. 9, *ibid.* A draft Bill is under consideration.

30. *Mr. Burdon*.—Item No. 10, *ibid.* This has been postponed.

31. *Mr. Burdon*.—Item No. 11, *ibid.* This has been referred to the Statutory Commission.

32. *Chairman*.—Item No. 12, *ibid.*—The Industries and Labour Department deal with this.

33. *Mr. Burdon*.—Item No. 13, *ibid.* This has been postponed.

34. *Sir Frederic Gauntlett*.—Item No. 14, *ibid.* This question was taken up at the Conference of Accountants General and discussed in considerable detail and the general view at the Conference was that the earlier closing of the accounts, which is one of the main objects we have in view, could only really be attained if for some adjustments at least we had a conventional year instead of the financial year. That question is being further considered. It involves of course very drastic changes in our scheme of accounts and will certainly have to go to the Secretary of State. A minor question whether annual adjustments could be spread over a year by quarterly or other instalments making the final adjustments at the end of the year is under consideration. I am not quite sure at what stage it is now.

*Mr. Jukes*.—We have got quite a number of these questions. I think the whole is now merged in the consideration of the general question. The conventional year would make the great majority of these unnecessary.

*Sir Frederic Gauntlett*.—The only real purpose of that of course is to give the controlling officers a rather clearer idea of their expenditure from time to time. But if, in fact, the controlling officers keep a clear statement of liabilities and know what items have to be adjusted annually, they ought to be able to form their estimates just as carefully as the Accounting Department. We do not regard that as a matter of great importance.

*Chairman*.—This is a very technical question. I should have a lot to say before you start choosing the conventional year. I do not think we need discuss it to-day.

*Sir Frederic Gauntlett*.—I only wanted to say that the question is under very active consideration.

35. *Chairman*.—Item No. 15, *ibid.* This has been dealt with already ; see Appendix V.

36. *Mr. Burdon*.—Item No. 16, *ibid.* The Industries and Labour Department will have to take that.

37. *Mr. Burdon*.—Item No. 17, *ibid.* That is in suspense.

38. *Mr. Burdon*.—Item No. 18, *ibid*. This is also under consideration.

39. *Mr. Burdon*.—Item No. 19, *ibid*. This is a Statutory Commission question.

40. *Mr. Burdon*.—Item No. 20, *ibid*. This belongs to the Posts and Telegraphs Department.

41. *Chairman*.—That finishes Appendices I to III which deal with the recommendations and the observations made by the Public Accounts Committee in the past. What is the next thing that is usual to take ?

*Sir Frederic Gauntlett*.—Annexure I is Railways ; Annexure II is also Railways. Appendix IV is a general statement which is always appended to this Report.

42. *Chairman*.—That is printed for the information of the Committee. We shall require a special day for the discussion of Appendix V. Has this been provided for ?

*Sir Frederic Gauntlett*.—This could conveniently be taken up with the Finance Department on the morning of the 24th.

*Chairman*.—I suppose that will be the day. Shall we want all those days for the Railways ?

*Sir Frederic Gauntlett*.—Yes, Sir. It is the most difficult report of the year.

43. *Chairman*.—Is Appendix VI to be discussed ?

*Sir Frederic Gauntlett*.—There is no other time at which it could come in conveniently except now.

*Chairman*.—Would the Committee like to discuss Appendix VI now ?

*Kumar Ganganand Sinha*.—I was supplied with the papers only this morning. I would like to have a little more time.

*Chairman*.—I quite agree with you. I do not know when we can fit it in. I do not know whether we shall have time to discuss ordinary matters *plus* those two important Appendices, V and VI.

*Sir Frederic Gauntlett*.—If we get through the Railways before the afternoon of Friday, we might take these Appendices immediately after Railways. We can make an effort to do it then.

*Chairman*.—We have got Saturday afternoon free on the 17th. We might keep that open for any emergency meeting, if it suits the Committee. I would rather not because we have got a pretty stiff week, and by the time Saturday is reached at the end of this week, I shall have a lot of arrears to deal with in my office. I think it would be helpful if on Appendix V—on the question of the method of discussion by the Legislature—we could have comments from members in advance. That will help to clear all our ideas and keep the discussion possibly down to two or three points.

*Mr. Neogy*.—You mean any specific suggestions as to the procedure and not a general comment on the memorandum itself ?

*Chairman.*—I think it will be a good thing if we can get in advance specific suggestions on Appendix V. We might ask the same about Appendix VI, which is not so important. We shall then know whether we shall have sufficient time. We might send out invitations and ask for suggestions.

*Mr. Burdon.*—We might ask them to send in, after consultation, suggestions in regard to the matters dealt with in Appendix V and also to say whether they accept Appendix VI which has been drafted in consultation with the Auditor General.

*Mr. Roy.*—Are you satisfied with these rules, Sir Frederic ?

*Sir Frederic Gauntlett.*—They are practically based on my suggestions.

*Mr. Roy.*—Then why are you worrying us about it ? It is highly technical.

*Sir Frederic Gauntlett.*—It is for this Committee to enunciate the principles and to see that the principles are given adequate effect to.

*Mr. Roy.*—But the principles have been enunciated in the Committee's Report. You have carried them out. This is a very highly technical matter and this is the first time that we are going to have any rules. Why not we pass it ?

*Chairman.*—Hear, hear.

*Sir Frederic Gauntlett.*—My advice is that you read through first and accept afterwards.

*Mr. Roy.*—Mr. Neogy agrees with me that there is no use breaking our heads on that.

*Sir Frederic Gauntlett.*—It has taken me nearly three years' work to accumulate all the information to write that very brief memorandum.

*Mr. Roy.*—And you expect us in three days or three hours or three weeks to go through it ?

*Sir Frederic Gauntlett.*—I expect you to shoulder your responsibilities.

**Evidence taken at the second meeting of the Public Accounts Committee held on Monday, the 12th August 1929 at 2-30 p.m.**

**PRESENT :**

(1) The Hon'ble Sir GEORGE SCHUSTER, *Chairman*.

(2) Mr. T. A. K. SHERVANI.

(3) Mr. B. DAS.

(4) Mr. S. C. MITRA.

(5) KUMAR GANGANAND SINHA.

(6) Maulvi ABDUL MATIN CHAUDHURY.

(7) Mr. K. C. NEOGY.

(8) Maulvi MOHAMMAD YAKUB.

(9) Mr. K. C. ROY.

*Members.*

(10) Sir FREDERIC GAUNTLETT, Auditor General.

(11) The Hon'ble Mr. E. BURDON, Financial Secretary.

(12) Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs.

(13) Mr. T. RYAN, Secretary, Industries and Labour Department.

(14) Mr. J. R. T. BOOTH, Joint Secretary, Industries and Labour Department.

(15) Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs.

(16) Mr. B. NEHRU, Deputy Auditor General.

*Were also present.*

Mr. P. G. ROGERS, Director General, Posts and Telegraphs, *Witness*.

44. *Chairman*.—We have before us the Auditor General's letter and I propose to go through that letter, not necessarily in the order in which the subjects have been dealt with there. The first paragraph to be dealt with is paragraph 3 of that letter, which refers to the general question of how the outstanding questions of previous reports have been dealt with. You will find a list in Appendix III of the Accountant General's report. The examination of that list certainly discloses that comparatively very little action has been taken or completed on any of these points. I should like to give members of the Committee a chance of asking any questions arising out of the points raised in Appendix III.

*Sir Frederic Gauntlett*.—We should like a statement from the witness as to what is the position on each of the important points which are outstanding.

45. *Mr. Rogers*.—I can give some information as to most of them. As regards No. (1), this is still under consideration but the case is practically ready. The Foreign and Political Department were invited to accept claims estimated

at 2½ lakhs per annum, representing losses incurred by the Posts and Telegraphs Department on the maintenance of facilities, chiefly Postal, wholly or mainly for political reasons. That department desired to have further particulars of the individual claims in order that they may be able to consider whether any of the services could be either reduced or discontinued. As a result of further investigations into the claim, a number of modifications were found necessary and in particular it was found that allowance had not been made for the recent increases in the pay of the department's personnel, in arriving at the losses on the maintenance of these lines. A complete re-examination of each line has now been carried out and although one or two minor cases are still under correspondence with the local officials, the revised claim is now found to amount approximately to Rs. 2,85,000 per annum and this claim is being furnished to the Foreign and Political Department who will be asked to accept liability for the total amount of the annual losses in respect of these amounts except to the extent to which they may be able to abolish or reduce the services in question.

*Mr. Mitra.*—In last year's report we find a statement that the consideration of the case is well advanced and it will be settled in two or three months.

*Mr. Rogers.*—It is a very complicated case. We might see it through in three months.

*Mr. Coburn.*—If a line is maintained solely for political purposes we claim that the Political Department should pay for it.

*Mr. Neogy.*—What happens if a line is not mainly constructed for that purpose?

*Mr. Coburn.*—They will give a guarantee. We make them bear the actual loss. That principle has already been accepted; there is a definite order of the Government of India.

*Mr. Das.*—Have all these accounts been settled? This case has been outstanding now for some time.

*Mr. Coburn.*—There may be one or two other cases but the amount involved is very small. It is mainly the Foreign and Political Department which is concerned.

46. *Chairman.*—Can you tell us anything about item 2?

*Mr. Ryan.*—This relates to a question which has been subject to discussion I think from the time the Railways started. The impression has prevailed for some time past that, owing to the general increase of the cost of materials and staff, the Posts and Telegraphs are entitled to considerably larger payments than what they get from Railways and canals. We undertook the re-examination of the charges recovered and it was finally found necessary to put an officer on special duty towards the end of last year. He produced a very complete report with recommendations. I am more responsible than anybody else for the consideration of this report and I finally had to absent myself from the office in order to obtain sufficient time to formulate my own views which are subject to acceptance by the Financial Adviser. A very short time ago the case was referred to the Financial Adviser with my remarks and Mr. Coburn is



now examining it. He has not yet had time to do much with it but its examination is now well on. Definite proposals have been formulated which require a certain amount of investigation and there are certain assumptions which have to be threshed out. We expect to settle the matter as regards our claim against the canals within a short time. As regards the Railways, a considerable amount of discussion will be necessary with the Railway Board but I think we will come to an agreement without undue difficulty. I should have added that in the preliminary examination the impression we have formed is that we have possibly been overcharging for iron wires and under-charging for copper wires.

*Maulvi Abdul Matin Chaudhury.*—Is this case more than three years old ?

*Mr. Ryan.*—If you could see the mass of correspondence and discussion that this case has given rise to, you would understand the reason for three years.

*Chairman.*—The Government of India departments are very hard worked at this time. Certainly the first item on this list, when the settlement is arrived at, will represent the Government paying out of one of its own pockets into another. The point is an important one but we cannot say that the public interest has lost very much by the delay.

*Sir Frederic Gauntlett.*—The only comment I have made in my letter on these points is that until these outstanding questions are settled, we cannot definitely and finally say exactly how much profit or loss the department is making.

*Kumar Ganganand Sinha.*—How long do you think it will take to settle matters ?

*Mr. Ryan.*—The canals and railways questions are mixed up. We may probably have to distinguish in future between the charges of the two departments because the circumstances are so different. I think we will settle the canals case within the next couple of months. The railway case depends on the attitude of the Railway Board. If we present a reasonable claim, as we hope to do, I hope that we will be able to settle the question soon.

*Sir Frederic Gauntlett.*—I suppose the Railway Board is seized of the matter.

*Mr. Ryan.*—We have not presented our actual claims to them but they know that we intend to do so.

*Chairman.*—Can you give us any indication of the amount which is involved ?

*Mr. Coburn.*—I think according to Mr. Varma's report we should recover something like 6 lakhs from the railways and 6 lakhs from the canals.

*Maulvi Mohammad Yakub.*—How long has it taken you to formulate your plans ?

*Mr. Ryan.*—I have had the file in my room since December, but it was only about 2 weeks ago that I was really working at it in anticipation of enquiry by this Committee. At the present moment, the file is with Mr. Coburn, the Financial Adviser, and further departmental discussion must take place before we are in a position to present our demand to the Railway Board. The case will have to go to the Secretary of State before it is finally settled.

47. *Mr. Coburn.*—*Item 3.*—As regards the pensionary liability, Mr. Meikle, the Government Actuary, has authorised me to make this statement to the Committee :

“ I am glad to be able to state that the calculations necessary in order to determine the annual charge equal to the annual pensionary liability in respect of the employees in the Posts and Telegraphs Department are now completed. They have been based on the pay and pension terms of nearly 120,000 men and at a rate of interest of  $4\frac{1}{2}$  per cent., this being the rate which in consultation with Finance Department was adopted during the past year in other big calculations of a similar nature. The result shows that the charge should be  $9\frac{1}{8}$  per cent. of the total salary and leave allowances of the pensionable establishment excluding any special pay and allowances which do not count for pension ”.

I may say that this report has only just come in and has not yet been considered by the Department of Industries and Labour.

*Chairman.*—You have got your figure now. There is not much more to be done.

*Mr. Coburn.*—The pensionary liability under this formula will probably not be very different from the 60 lakhs that we pay now. It will possibly be within a lakh or so of that figure. The Industries and Labour Department may not of course accept this result.

*Sir Frederic Gauntlett.*—There is one important issue raised, the assumption that the correct rate of interest is  $4\frac{1}{2}$  per cent.

*Chairman.*—That I can imagine is a thing that may require discussion ; otherwise that is very easily settled.

*Sir Frederic Gauntlett.*—I might suggest that possibly a round figure of 10 per cent. will be the best thing in the end.

*Mr. Coburn.*—I should imagine this formula will be adopted for the next year.

*Chairman.*—This case can be regarded as practically settled.

48. *Chairman.*—*Item 4.*—Is the branch run on commercial lines ?

*Mr. Coburn.*—Partly on commercial lines and partly on non-commercial lines. I am talking now of the wireless branch.

*Mr. Roy.*—What about internal stations in India ?

*Mr. Coburn.*—They are not strictly commercial. Their cost will come under the loss on account of the unremunerative activities of the department.

*Mr. Roy.*—Do you get anything towards the post office for the existence of the internal radio installations ? Do the military make any subventions or the Home Department ? Your department is entirely a commercial department. When you take over a non-commercial undertaking, don't you get anything in return ?

*Mr. Coburn.*—It is not, strictly speaking, charged against the departmental revenues ; it is charged against general revenues. If the department shows a

loss equal to the loss on account of these radio activities, it will be regarded as paying its way from the point of view of the policy of Government.

*Chairman.*—I am not clear what remains to be done to meet the recommendations of the Public Accounts Committee. The separation of the Profit and Loss account has been carried out from this year's account. The Radio has been separated from the Telegraphs.

*Mr. Ryan.*—It has now been decided in accordance with the recommendations of this Committee to have a separate account.

49. *Mr. Ryan.*—*Item 5.*—The position about that is that the Government of India have addressed the Secretary of State urging that the control of the Indo-European Telegraph Department should be transferred to India from the India Office. We have not yet received the reply, but we propose to expedite the matter by sending a reminder. We hope that we will come to a decision before long.

*Mr. Roy.*—Will that involve the bringing out of all these men including the Director?

*Mr. Ryan.*—It is a matter of detail for settlement. I believe Sir Bhupendra Nath Mitra's view is to merge the existing office in Karachi and the administration of this department if this scheme be approved. The whole thing will be brought under the Director General, Posts and Telegraphs. We might still want two Directors for the Persian Gulf and Persian Sections but I doubt whether we would want the Director-in-Chief: the Director General, Posts and Telegraphs, would control the whole thing.

50. *Sir Frederic Gauntlett.*—*Item 6.*—That is covered by the general orders that Mr. Burdon referred to this morning. That Resolution covers this item also.

51. *Mr. Coburn.*—*Item 7.*—I have distributed a memorandum to the members of the Committee on this item. (Printed as Annexure I to the Proceedings of the Second Meeting.)

*Chairman.*—Can you tell us briefly how the matter stands?

*Sir Frederic Gauntlett.*—The witnesses will be appearing tomorrow morning and the members will have an opportunity of looking into the memorandum overnight. I suggest therefore that we postpone the discussion of this memorandum.

*Chairman.*—That is a useful suggestion. Does it meet the general approval that we should defer the question until tomorrow morning?

52. *Mr. Coburn.*—*Item 8.*—It is not covered by the memorandum but it depends on that, and the Industries and Labour Department have decided that they could not come to a decision on that until the decision on Item 7 has been arrived at.

53. *Mr. Rogers.*—*Item 9.*—Some instructions have been issued on this subject but the matter is also under further consideration. In the meantime, I have issued some instructions to the heads of Circles as to how this matter is to be dealt with. It is a matter of considerable difficulty to get the work done in a satisfactory manner.

*Maulvi Mohammad Yakub.*—Have you ascertained that they are following your instructions ?

*Mr. Rogers.*—They are following our instructions. In one Circle I read in the annual report that the Director, Posts and Telegraphs, has been able to carry out this matter without any difficulty at all. I have called for details as to how he has done it. After studying those details I hope to issue further instructions on the subject. Meanwhile, the Postmasters-General have been given very definite instructions as to what they are to do. They can employ the Public Works Department for certain things and also they can employ the private agency where they wish so to do ; they can get the work done either through Divisional Telegraph Engineers or their Superintendents. It is for them to select by what particular agency they will get this work done. On the whole the buildings are being repaired but things are not proceeding as smoothly as we would have wished. It is for that reason that I wish to study the details further and issue some supplementary instructions.

*Maulvi Mohammad Yakub.*—What is the method of knowing that the instructions are followed or not by the heads of the departments ?

*Mr. Rogers.*—You can see the buildings—whether they are repaired or not.

*Mr. Roy.*—Can I assume that whether these instructions are carried out or not is fully seen to by the Director General ?

*Mr. Rogers.*—I think I can say so.

*Sir Frederic Gauntlett.*—Might I ask whether there is an inspecting officer in the headquarters who tours in the various Circles and reports directly to you on the state of administration found in the various Circles ?

*Mr. Rogers.*—We have no special officer for that purpose. This year, however, the permanent Director General, Mr. Sams, arranged that what we call the Branch Officers, *i.e.*, Deputy Directors-General, should tour as soon as the Delhi session of the Assembly was over for about three weeks and look into certain definite points of the administration.

*Mr. Roy.*—Does the Chief Engineer look after the Telegraph buildings ?

*Mr. Rogers.*—No. Our buildings have hitherto been looked after by the Public Works Department. The work has now been transferred to the Postmasters-General and the Chief Engineer does not come into it at all.

*Mr. Roy.*—He has no right of inspection ?

*Mr. Rogers.*—Certainly he has the right of inspection and if he found the building in bad state he will report it to the Director General and probably also to the Postmaster General.

*Sir Frederic Gauntlett.*—Does he realise that that is one of his responsibilities ?

*Mr. Rogers.*—I should imagine that when he is touring he would certainly notice the condition of the buildings.

*Mr. Roy.*—If you say that he is not responsible for the maintenance of the buildings, then why should he look into the matter whether they are maintained or not, unless definite instructions were issued to him to do so ?

*Mr. Rogers.*—When an inspecting officer goes on tour, it is one of the points that he looks into.

*Maulvi Mohammad Yakub.*—But he has got nothing to do with the buildings now ?

*Mr. Rogers.*—He would go to the Telegraph Office to inspect the apparatus and the plant.

*Mr. Roy.*—As all the post office buildings are purely Government of India organisation, would you not like to have some power of supervision ?

*Mr. Rogers.*—The Chief Engineer has no responsibility in the matter because we have fixed that responsibility on the Postmasters-General who are responsible for the upkeep of the buildings in their Circles.

*Chairman.*—Why was this change made ?

*Mr. Rogers.*—The percentages demanded by the Public Works Department were considerably high and it was thought that we could do the work ourselves cheaper. It is a step that we have very often regretted.

*Sir Frederic Gauntlett.*—There is a much wider aspect of the question than that. There was a Public Works Re-organisation Committee which was appointed, I think, in 1922, of which Mr. Harris was the Secretary. They suggested as a general proposition that the ordinary maintenance of buildings should not be regarded as one of the primary functions of the Public Works Department. The Public Works Department ought to be reduced in numbers and retained merely for the more important functions of construction and supervision and that mere maintenance ought to be handed over to a cheaper organisation. That has been followed to a certain extent and the question whether it has worked satisfactorily is still a very moot problem all over India.

*Chairman.*—I understand that some new arrangement is now being devised and that you expect to have it settled ?

*Mr. Rogers.*—We are trying to improve our arrangements for this year.

*Chairman.*—Will there be a report made for the information of this Committee ?

*Mr. Rogers.*—Yes, certainly, if it is desired.

*Chairman.*—I take it that this Committee would like to have a report on the working of the arrangement.

*Mr. Rogers.*—I can say that all the buildings have been maintained by the department : there is a certain amount of difficulty and my main object is to prescribe some rules by which the friction would be removed.

*Chairman.*—You do not think you can devise a satisfactory set of rules until you have had some chance of seeing how the present rules work ?

*Mr. Rogers.*—That is so.

*Maulvi Mohammad Yakub.*—As the Auditor General has pointed out, this is an all-India problem.

*Sir Frederic Gauntlett.*—I was only pointing out that if the more general question is to be discussed it might be desirable to put that to the Industries and Labour Department to whom it primarily belongs. The position, I take it, with regard to the Posts and Telegraphs Department is that their main difficulties have been with their own men; that was the impression that we gained at the last year's conference.

*Chairman.*—He now thinks he sees a way of making an arrangement that will get over these difficulties?

*Mr. Rogers.*—The arrangement has not had a really fair chance of working.

*Chairman.*—I suggest that our recommendation might be that this scheme has to be completed as quickly as possible and that there should be prepared for the Public Accounts Committee next year a report on the working of this arrangement whereby the department is responsible for the maintenance of its own buildings. Do you think you would be in a position to make a useful report?

*Mr. Rogers.*—Yes: I think so, if I get the information I require. I think it should be possible.

*Chairman.*—You are going to get your new arrangement settled in time to give it a fair chance of working?

*Mr. Rogers.*—I hope so: it is really a question of supplementing the instructions that we have already issued.

54. *Mr. Rogers.*—*Item 10.*—Considerable difficulty has been experienced in the past in framing correct estimates of expenditure, partly owing to the fact that this is a comparatively new branch of the department's activities. Substantial lump sum cuts have been made in this section of the estimates for the current financial year and it is hoped that the experience gained of this class of expenditure will enable the Director General to bring the estimates and actual expenditure into closer accord in future.

*Sir Frederic Gauntlett.*—Might I ask a question why it should still be necessary to regard a matter like that as under consideration? I suggest that all that was necessary was for the Director General to issue orders to the officer who was responsible for the preparation of the budget, notifying the details to which closer attention ought to be paid: the matter would then have been regarded as settled and he could have said that these orders have been issued.

*Chairman.*—Why is it that we see 70 per cent. of the items shown as under consideration or under investigation? Cannot you supply us with a rather better percentage of action taken? This is a case in point.

*Mr. Rogers.*—I think this should perhaps not have appeared in this list at all because action has been taken in the matter.

*Mr. Coburn.*—In act action has been taken on this : this has been duly considered : we have since 1927-28 been paying special attention to these estimates.

*Mr. Roy.*—You have issued instructions to your budget officers ?

*Mr. Rogers.*—Yes.

*Sir Frederic Gauntlett.*—I think the only trouble really was that the department never told the Accountant General that this matter had been taken up and that orders had been issued.

*Chairman.*—But who is responsible for preparing this schedule ?

*Sir Frederic Gauntlett.*—The Accountant-General : but of course all the information as to action taken is ascertained from the Director General's office.

*Mr. Mitra.*—Last year the reason given was a shortage of supervising staff. Is that the case still ?

*Chairman.*—The only comment I have to make is that the remarks made in this final column might be prepared a little more fully in future.

55. *Mr. Coburn.*—*Item 11.*—This arose out of the case in which the Electrical Engineer-in-Chief had unexpectedly returned about Rs.  $\frac{1}{2}$  lakh worth of expensive apparatus to stock and caused a big saving in the grant. The object of this remark was to bring to the Director General's notice the necessity for trying to anticipate such action on his part. We have gone into this case and we find that this is quite an isolated case and we are taking steps to see that officers report, for purposes of the budget, the amount of stores that are likely to be returned during the year and give us due notice in cases of this nature in future. This too is really not under consideration : we have taken due note of it.

*Chairman.*—Mr. B. Das refers to Appendix VI—draft rules applicable to all departments as regards stores ?

*Sir Frederic Gauntlett.*—Yes ; but they deal in only a very general form with the question of detailed store accounting : in fact every important department has detailed rules for stores accounting and it is generally understood that when these model rules are distributed, every important department which is materially affected should consider its own rules and see whether those rules depart from the model rules and if so what justification there is for it.

*Chairman.*—The model rules are intended to be a universal guide ?

*Sir Frederic Gauntlett.*—Yes.

*Mr. Burdon.*—May I draw your attention to paragraph 10 of the memorandum as regards this matter ? (Reads out the paragraph.)

*Chairman.*—Where the existing rules are defective these rules will supply a model.

*Sir Frederic Gauntlett.*—Most of the departments have rules which are very much more detailed than these model rules.

56. *Mr. Ryan.*—*Item 12.*—This has been referred to the Director-in-Chief in the India Office.

*Chairman.*—It really hangs together with item 5?

*Mr. Ryan.*—Yes.

57. *Mr. Coburn.*—*Item 13.*—The Department has prepared a list of heads which they think could be absorbed into other heads, based on the experience of the last three years accounts, and it is proposed, unless the Accountant General sees any objection, to eliminate those heads from the accounts for next year.

*Chairman.*—So that everything that you have to do under this recommendation will be done before the next year's budget?

*Mr. Coburn.*—Yes.

*Enhancement of rents due from canal administrations.*

58. *Mr. Das.*—*Item 14.*—Last year, the Committee recommended that the question of enhancing the rents due from canals should be settled without any avoidable delay?

*Chairman.*—We have had a definite statement that the matter as between the Canals and the Posts and Telegraphs departments is likely to be settled soon.

*Mr. Ryan.*—Yes, we hope so. Mr. Coburn is somewhat doubtful about some of the assumptions made in Mr. Varma's Report which I was inclined to accept; we have not yet come to an agreement on the point.

*Chairman.*—The whole thing has got to be threshed out as between you and the railways.

*Sir Frederic Gauntlett.*—I think one point there is that the settlement of the question as between Canals and Posts and Telegraphs is in one department of the Government of India and not in two.

*Mr. Ryan.*—Yes, that should certainly help us in dealing with the canal case.

59. *Mr. Coburn.*—*Item 15.*—This case has only recently come to my notice, but I have discussed it with the Accountant General and we shall take steps to see that proper provision is made for these items in the next year's estimates.

*Sir Frederic Gauntlett.*—I think that raises a question why it has only just come to notice because it is really mentioned in paragraph 44 of the Report of last year's committee; the report has been circulated to all the departments of the Government of India.

*Chairman.*—Have you got anything to say to that? I think it has taken a long time to consider this very simple matter.

*Mr. Coburn.*—I do not know what the history of the case is.

*Sir Frederic Gauntlett.*—It does not appear in the main report as one of the definite recommendations of the Committee; but it does come in the detailed



proceedings ; of course, it raises the general question whether the departments are supposed to be seized of the proceedings as well as of the main Report.

*Mr. Coburn.*—There is certainly no difficulty in the way of doing this ; it is only a question of foreseeing the necessity.

*Maulvi Mohammad Yakub.*—Is anybody in your office responsible for going through the Report ?

*Mr. Coburn.*—I have not got an office ; it is really the Director General's office that considers this report and then it is sent to me.

*Mr. Rogers.*—Yes : I am unable to explain how this has been overlooked.

*Chairman.*—I think it should be possible to attach to the Report for every year a summary of the points concerning each particular department.

*Sir Frederic Gauntlett.*—An endeavour is done to do that in section 4 of the main report which starts on page 17—"Comments on matters relating to particular Departments arising out of the present Report, etc."

*Mr. Neogy.*—Is that at all referred to in the examination of witnesses ?

*Sir Frederic Gauntlett.*—I forget exactly how it arose, but the point must have been mentioned. I think it is clearly proved by the fact that it appears in the proceedings which were closely scrutinised and edited night by night both by the Chairman and by myself.

*Chairman.*—There is no question about the proceedings being correct. The point is whether the actual report should in some way or other pick out every point which is referred to in the proceedings ; it apparently does not at present ; minor points are left out and it would be easy to include them.

60. *Mr. Roy.*—After reading this Appendix III, one is led to believe that sufficient pressure has not been exercised by your department in getting the outstanding matters settled by the Industries and Labour Department. Am I wrong ?

*Mr. Ryan.*—I think there is some misunderstanding of the position as between the Industries and Labour Department and the Director General of Posts and Telegraphs. There is no secretariat branch of the Industries and Labour Department dealing with the Posts and Telegraph work ; that work is supposed to be done by the Director General and his staff themselves ; it is true there is a Joint Secretary who deals to some extent with such matters, but there is no one to supervise the work of the Director General who is himself responsible for doing whatever is necessary. The Finance Department exercises a certain amount of control through the Financial Adviser and the Financial Adviser also assists the Director General, but there is nobody 'sitting on top' so to speak.

*Mr. Roy.*—The Joint Secretary acts merely as a medium between the Director General and the Honourable Member ?

*Mr. Ryan.*—That is really the case. Perhaps the Joint Secretary occasionally lays himself open to the charge of interfering.

*Mr. Roy.*—There is therefore no justification for the assumption that pressure is not brought to bear ?

*Mr. Ryan.*—I do not think so.

*Sir Frederic Gauntlett.*—In other words, the only medium of pressure is the Member him self ?

*Mr. Ryan.*—If you mean outside pressure : of course the Financial Adviser is always pressing, but really the Director General is very largely in the position of a Secretary.

*Chairman.*—In fact they are probably expected to work without pressure ?

*Mr. Rogers.*—And generally do, I hope, Sir.

61. *Chairman.*—That finishes that appendix, and we can now proceed with the other clauses and paragraphs of the Auditor General's letter. Paragraph 4 has been dealt with and we now come to paragraph 7 with reference to pages 9 to 14 of the Appropriation Accounts. Sub-paragraph (a), I think raises the general question of the prospects as judged by the results of the year under review and the particular question of the need for some accurate estimate of the future annual increase in normal administrative expenditure due to improvements in terms of service or automatic increases of pay and increases in pension charges. That will probably occupy the rest of our time this afternoon. I think the Committee would like to have some general statement dealing with the financial results of the Department and to know whether the Department will be able to provide some sort of estimate of future annual increases. Looking at it from the point of view of providing an answer to that, is the unavoidable annual increase in expenditure on staff, which includes pay and pensions, going to be such as to off-set or perhaps more than off-set the normal growth in revenue which may be expected in the increasing economic development of the country ? That is an important question upon which I think we should like to have some light thrown.

*Mr. Rogers.*—Increases in the rates of pay which are dealt with in this report were to some extent exceptional. The pay of the whole Department has been raised within the last two or three years and that process is not likely to be repeated for some time. It is now considered that the pay of almost all ranks, in fact I might say of all ranks in the Department, has now been raised to a suitable level and there will be no need to revise it on this very extensive scale again for some time.

*Chairman.*—That is probably the case. But when you alter conditions of pay you may not only raise the actual rate of pay for the year but you may accelerate the rate of increase in pay and that is the point to which I was referring.

*Sir Frederic Gauntlett.*—Most of the previous rates and practically all the new rates of pay were on the time scale and that provides for an automatic increase.

*Mr. Coburn.*—I think it will be possible to give some information to the Committee but it will have to be worked out.

62. *Mr. Neogy.*—In how many years is the maximum effect of these revisions likely to be felt?

*Chairman.*—That is a very big question—when you will reach your peak year. You can arrive at the peak year on the present staff but all the time you are opening new branches and that is a new factor.

*Mr. Das.*—If every new post office is treated on a commercial basis, the increase of staff does not matter because the revenue will increase correspondingly.

*Chairman.*—You think Mr. Neogy's question can be answered by taking the present staff and assuming that the new branches will pay for themselves. That is quite a good point. But the question which I had put and which is really referred to in the Auditor General's letter amounts to this. What are the commercial prospects of the Department having regard to the present conditions of pay?

*Mr. Coburn.*—That question is rather involved with the revenue prospects of the Department which are extremely difficult to assess.

*Chairman.*—There are many ways in which you can make a rough estimate as to increase in revenue, by the way in which revenue has risen in past years, for instance. But that is the second part of the picture; what we really expect from the Department is the first half of the picture on the expenditure side. I thought I understood from you that some sort of review of the commercial results for the year under review had been prepared.

*Mr. Coburn.*—There are profit and loss accounts for every year since 1925-26.

*Chairman.*—I thought you had told me that you had ready for the Committee some appreciation of the general position.

*Mr. Coburn.*—There is a general statement that the Director General is to read out showing the difficulty he has experienced in dealing with this particular year's accounts. That relates merely to the accounts for 1927-28, and it does not forecast developments in the future.

*Mr. Rogers.*—If the post office section generally makes a profit we make a loss on our telegraphs, and this year we have also made a loss on our telephones. But the loss on telegraphs seems to be very considerably influenced by the question of the Depreciation Fund and by several other considerations. It is very difficult to make an estimate of what the commercial prospects of the Department are until we have those points settled. For instance, the telegraph people maintain that the loss of 29 lakhs which is shown against them is not correct, that is, if they did not pay so much into the depreciation fund.

63. *Mr. Das.*—You have increased your capital very much on the radio and telephone side; is the loss due to that?

*Mr. Rogers.*—Yes, to some extent.

64. *Mr. Mitra.*—But apart from the telegraph and telephone, it is clear that the net profit is going down and next year even the post office will have a deficit.

*Mr. Rogers.*—I do not think that follows.

*Mr. Mitra.*—Because it is clear that the expenditure will go on. Kindly refer to page 5. There you will find that expenditure is gradually increasing and if it goes up even half as much next year, the post office will have a deficit.

*Mr. Coburn.*—I may point out that in this year 1927-28 there are two or three very abnormal items of expenditure, a loss for instance of something like 14 lakhs on stores, the value of which was written down.

65. *Mr. Mitra.*—Then is it not due to normal increases in salaries on the time scale?

*Mr. Coburn.*—Not wholly. A number of abnormal factors have contributed to this adverse result.

66. *Mr. Mitra.*—Can we take it that the normal increase in salaries is made up by the normal increase in revenue?

*Mr. Coburn.*—We hope so.

67. *Sir Frederic Gauntlett.*—What is being suggested is that a real endeavour should be made to obtain an estimate of the inevitable increase due to pay and pensions year by year. And in preparing a general forecast of the whole financial position you would be entitled to bring into a note like that references to your suggestions for the revision of rates of depreciation and the possible or probable results of your negotiations with the other Departments of Government. As I say in my next note, until you have settled these questions it is very difficult to present an accurate financial picture. At the same time I think this Committee might well ask that a real endeavour should be made to do it.

*Mr. Coburn.*—I think there should be no difficulty in giving such a picture for the next two or three years, but the ultimate effect of these scales is very difficult to estimate.

*Chairman.*—Well, can we take it that the question will be investigated and efforts made to make such an estimate.

*Sir Frederic Gauntlett.*—The Department would understand of course that it is unnecessary to have an accurate estimate down to annas and pies. Anything within half a lakh or a lakh would be sufficient for our purpose.

68. *Chairman.*—Quite sufficient. Then we will leave that point with that promise of a report, and turn to paragraphs 13 and 14 of the Auditor General's letter. Has the Director General any remarks to make about that?

*Mr. Rogers.*—I have no remarks to make about the delay in settlement of the disciplinary action. I have not been able to get the details.

*Sir Frederic Gauntlett.*—My Accountant General has a note here that the first report made by his Deputy to the Postmaster General in question is dated 25th April 1928, that is, nearly sixteen months ago.

*Mr. Rogers.*—No doubt the court proceedings took some time. But although I have been trying I have not got the details. I think I can get them to-morrow.

69. *Kumar Ganganand Sinha*.—With regard to the general question of defalcations, it is stated in many cases that a certain portion of the amount would be recovered from the culprit. What we would like to know is whether that amount has actually been recovered at the time we meet, because it might happen that later on the amount is found to be irrecoverable.

*Chairman*.—We cannot on this Committee go into every question of default.

*Mr. Coburn*.—I think that whenever that is mentioned it is always previously ascertained whether the amount has been recovered.

*Sir Frederic Gauntlett*.—I think the Committee can assume that, if the Accountant General states that a fine has been inflicted on a man and there is no mention that it is irrecoverable, it has been recovered. It would be part of his normal duty to point out that the Department had not obtained the money.

*Mr. Rogers*.—He generally says so.

70. *Sir Frederic Gauntlett*.—With regard to Mr. Rogers' statement that he is not prepared with the answer to this question, I should say that it is generally understood that the witnesses are open to question on anything in the accounts and particularly with reference to any matter to which I call special attention in my letter.

*Mr. Rogers*.—The Deputy Director General who deals with these cases is unfortunately in Delhi. I expected that he would be back yesterday but he has not returned and in his absence I am unable to get hold of the file and find out how the case stands or what cause of the delay is. I attempted to get into touch with him on the telephone this morning but was not able to do so.

*Sir Frederic Gauntlett*.—My letter is dated 24th June.

*Mr. Rogers*.—This printed book was in my hand only on Friday last.

71. *Mr. Roy*.—We know that disciplinary action is a matter entirely for the administration. All we want to know is, is there any delay in inflicting disciplinary punishment?

*Mr. Rogers*.—Not ordinarily. It is inflicted as soon as possible in most cases. After responsibility has been fixed all the circumstances have to be taken into consideration. I have done my best to find out the facts of the delay in this case, but for the reasons I have given I have not been able to give the Committee the information today.

72. *Chairman*.—You stated that you were not able to start making inquiries till last Friday. I think matters of this kind demand rather earlier attention.

*Mr. Rogers*.—When the letter is received in my office every paragraph is distributed to the branch and section concerned to be dealt with and when all these various paragraphs have been dealt with they are put together in the form of this inter-leaved book and that is placed before me as soon as they can get it ready.

*Mr. Coburn.*—I think the D. G.'s remark in regard to not seeing this case till last Friday has given rise to some misapprehension. Most of these cases are dealt with on separate files, most of which have been referred to the D. G. and on which he has passed orders. He really intended to convey that this inter-leaved copy of the report on which action has been taken was not seen by him until last Friday.

*Chairman.*—I am simply impressed by the fact that the letter written by the Auditor General on the 24th June, which was received by your Department at the beginning of July, calls attention to points with which witnesses are not able to deal on the 12th August. It seems that whatever has happened in between those dates indicates rather defective machinery. I think more respect is due to this Committee than this result indicates.

*Maulvi Mohammad Yakub.*—Especially when probably you knew that the Committee would sit in August. Notice of that was given some time in May though no date was fixed.

*Mr. Roy.*—May I mention that Mr. Rogers has been in hospital a very long time and he only recently came out.

*Mr. Rogers.*—It is not a question of want of respect to the Committee or any question of not having paid due attention to the Auditor General's letter. But this particular case I certainly do not remember to have seen until a couple of days ago, and since then I have been endeavouring to get in touch with the officer who can give me the necessary information. It is extremely unfortunate and I very much regret it.

73. *Mr. Das.*—With reference to the third paragraph, page 24, with regard to the checking of signatures of depositors in savings banks, is the particular case referred to an isolated case of the check not being applied ?

*Mr. Rogers.*—There is no way of exercising control over the check which is supposed to be made by the ledger clerk of the head office between the signatures on the warrant of payment or the applications for withdrawal and the specimen signatures in the head office. The only way in which that can be controlled is when it comes to light in a case of this kind. The rule is that the ledger clerk should do it, and if he fails to do it the risk is his ; that is to say, in the event of a fraud occurring he is liable to make good the whole or part of the loss.

74. *Mr. Das.*—Are the pass-books not checked when entries are made of interest ?

*Mr. Rogers.*—It is very difficult to get hold of pass-books.

*Mr. Das.*—This was a Court of Wards account.

75. *Chairman.*—Has the attention of every one been called to this particular case and have instructions been issued for making this check ? You have no means of knowing that these checks are being employed. Here is a case which shows that the necessary check has not been applied.

*Sir Frederic Gauntlett.*—My Accountant General states that the failure to compare specimens is found to be the comparatively common cause of embezzlements. It is referred to again in another paragraph elsewhere. It is not merely an isolated instance.

*Chairman.*—It does seem to me to be a case for some general instructions to be issued.

*Mr. Rogers.*—Might I say that the percentage of Saving Bank frauds as compared with the total number of accounts is represented by .00042.

76. *Mr. Roy.*—Have you any definite rules against the prevention of this class of frauds?

*Mr. Rogers.*—There is a definite rule in the Post and Telegraph Manual enjoining on the clerks concerned to compare the signatures with the specimens in the signature book, and those who omit to do so are punished and are liable to have the whole or part of the loss recovered from them.

*Mr. Roy.*—Then you do not agree with the Chairman that special instructions are necessary?

*Mr. Rogers.*—I certainly agree with him; but I only wanted to point out that the number of Savings Bank frauds is comparatively small.

*Mr. Neogy.*—How does it compare with the previous figure?

*Mr. Rogers.*—I do not think it is different to any other year.

*Sir Frederic Gauntlett.*—I think the point arising out of this particular case is this, that there is no defect in the existing system. It was simply due to the error on the part of the clerk mainly, and as Mr. Rogers says, if a man fails to do his duty he renders himself liable to punishment. The Committee can ask whether that penalty has yet been imposed upon the clerk concerned. I call attention to it because we are told that the question of disciplinary action is still under correspondence.

*Chairman.*—I think that we have sufficiently covered this point, and what I think we may ask Mr. Rogers to do is when he is able to get into touch with the Deputy Director General to let us have a Note explaining exactly the position.

77. *Sir Frederic Gauntlett.*—On the 13th January 1928 the Head of the Circle sent in a recommendation to the Director General, but no final orders have been passed yet; that is nearly 19 months.

*Mr. Rogers.*—The reason for the delay in completing the departmental investigation is being examined. The delay in issuing final orders by the Director General on the recommendation of the Post Master General is due to lack of information on certain points, the collection of which took some time. Sometimes it does take a very long time to collect the information. They have to go from me to the Post Master General, and from him it goes down to the Inspector who has to make the inquiries when he can find time from his other inquiries and inspection work. This case, I admit, has taken a very long time, and I am inquiring as to the causes why it should have taken so long.

78. *Maulvi Mohammad Yakub.*—Can the Committee recommend anything definite to avoid such delays in future?

*Chairman.*—I am afraid that until we arrive at the Millennium there will be such cases of delay which cannot be avoided.

79. *Mr. Mitra.*—So far as we understand the position, the delay is due to the procedure that is now adopted. Can we not recommend any amendment in the procedure?

*Mr. Rogers.*—Might I point out that my office was suffering from very great disadvantages during the last two or three years. The first is the move from Calcutta to Delhi which disorganised the office very seriously. Something like a lakh of records had to be sent up from Calcutta to Delhi. The second is that last year or the year before last the office was completely reorganised under the orders of the Hon'ble Sir B. N. Mitra and it has not yet settled down or barely settled down, and during the 12 months to which this Report relates there were a lot of arrears in almost every branch. These I am glad to say, have been practically wiped off, and I hope that the delays of this kind will not occur in future.

80. *Chairman.*—*Paragraph 18-A.*—Are there any special points to which it is desired to call attention?

*Sir Frederic Gauntlett.*—I have suggested that the main heads which seem to require explanation are sub-heads (f) (3) which deal with stock values, (f) (6), (j) (1) and (2) and (j) (2) (ii). Then a further point which arises in this A supplementary grant was obtained in March 1928 for Rs. 20,11,000.

*Mr. Rogers.*—I have a Note on this subject which is rather long. (Copies of the Note printed as Annexure II to the proceedings of the meeting, were then circulated to Members of the Committee.)



**Evidence taken at the third meeting of the  
Public Accounts Committee held on Thurs-  
day, the 13th August 1929, at 11 a.m.**

**PRESENT :**

- |  |                             |
|--|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER, <i>Chairman.</i>            |                             |
| (2) Mr. T. A. K. SHERVANI.                                       | } <i>Members.</i>           |
| (3) Mr. B. DAS.  |                             |
| (4) Mr. S. C. MITRA.   |                             |
| (5) Kumar GANGANAND SINHA.                                       |                             |
| (6) Maulvi ABDUL MATIN CHAUDHURY.                                |                             |
| (7) Mr. K. C. NEOGY.   |                             |
| (8) Maulvi MOHAMMAD YAKUB.                                       |                             |
| (9) Mr. K. C. ROY.   |                             |
| (10) Lt.-Col. H. A. J. GIDNEY.                                   |                             |
| (11) Sir FREDERIC GAUNTLETT, Auditor General.                    | } <i>Were also present.</i> |
| (12) The Hon'ble Mr. E. BURDON, Financial Secretary.             |                             |
| (13) Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs. |                             |
| (14) Mr. T. RYAN, Secretary, I. & L. Department.                 |                             |
| (15) Mr. J. R. T. BOOTH, Joint Secretary, I. & L. Department.    |                             |
| (16) Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs.  |                             |
| (17) Mr. B. NEHRU, Deputy Auditor General.                       |                             |

Mr. P. G. ROGERS, Director General, Posts and Telegraphs, *Witness.*

*Chairman.*—We have had the advantage of seeing the two memoranda prepared by the Posts and Telegraphs Department since we met last and the general memorandum dealing with the difficulties of budgeting which throws a good deal of light on the position and might perhaps affect our general attitude towards the questions which members might like to put. We have also got an interesting memorandum on the position as regards depreciation allowances which shows some of the difficulties in arriving at an early settlement of this question. I should like to know whether there are any particular questions which any member would now like to ask having read this memorandum.

81. *Sir Frederic Gauntlett.*—I should like to make one or two general comments if I may at this stage. The first point to be remembered is that it is incorrect in principle to compare the contribution in any one year with the amount

actually spent on renewals and replacements in that year because the contribution is intended to meet renewals and replacements at the end of their effective life.

*Chairman.*—I think we all appreciate that.

*Sir Frederic Gauntlett.*—I was just mentioning it for the information of those members who are not engineers or specialists.

*Mr. Das.*—I whole-heartedly support that.

82. *Sir Frederic Gauntlett.*—The second point is that I deprecate the suggestion in the note to make any change in the estimated life merely with regard to new accruals. If the changes are to be made, whatever the difficulties, I suggest they should be made in regard to existing assets as well as new assets. If, in fact, the correct life of a copper wire is 50 per cent. in excess of what it is now estimated to be, that is the position and the results should be applied to the existing assets as well as the new assets.

*Chairman.*—I understand one ground of the suggestion is that in certain cases it is very difficult to know exactly what the date of birth of the particular asset is. If you have got evidence as to its life, well and good, but if you do not know exactly when the old asset started its life, then it would be dangerous to make a change.

83. *Sir Frederic Gauntlett.*—If in fact they do not know when their assets started to exist how can they compare the figures of actual life with those of the estimated life?

*Chairman.*—They might know in certain cases. In certain telegraph lines, they might have detailed information about it and in others they may not.

84. *Sir Frederic Gauntlett.*—Is the ignorance of the exact facts applicable to 25 per cent. of the assets or 75 per cent. of the assets?

*Chairman.*—I am not a witness.

85. *Sir Frederic Gauntlett.*—The question is relevant in considering whether we should accept that view or not. Are there not two questions that we are discussing now? One is the rate at which we are fixing depreciation and the other is the exact date at which the assets came into existence so as to determine when your payments to the depreciation fund should cease in respect of the particular asset. I am not sure how the ignorance of the exact date at which an asset came into existence would affect the question as to the probable life of the asset on which the depreciation rate must be based if, in fact, it is correct, that the present assumed life in many cases is too small. Surely you are entitled to change your rate of depreciation based on that assumption?

*Mr. Coburn.*—As these assets had already paid up the full contribution, the suggestion was that we need not disturb the depreciation fund in respect of those assets.

86. *Chairman.*—There is one observation of a very general nature which I should like to make now. I think we will all agree that we cannot at this meeting go into a discussion of details as regards the life of copper wires and all

the rest of it. Taking quite a general view of the position it seems to me that the Posts and Telegraphs Department have got to be content for some time to come with a rough and ready basis. So far as I recollect from my conversation with the Financial Adviser—I am not quite sure whether I am correct, you must correct me if I am wrong—so far as I understand the position, the whole of the undertaking was taken over at its depreciated value, that is to say, at the current value of the day. Therefore we are working with an undertaking valued at a certain figure, whereas, if it were replaced and the original price of the assets were put in, the capital of the posts and telegraphs undertaking would be very much higher than the figures which stand on the books. The result of that is this. In order to test the commercial results of the posts and telegraphs department we are of course charging the capital with interest but the capital on which they are paying interest is very much smaller than what it would be if the whole undertaking had been commercialised from the very beginning. Therefore, as each important asset is replaced and it is entered in the capital account at its original price, the total capital of the undertaking is going up and the amount of interest that you will have to pay is also going up and that means they are getting gradually to a worsening position and we can take it generally that the amount of interest that is being paid now is much too low. If we find that in certain cases the depreciation allowance has been calculated at rather too high a figure, that is much more than offset by the deficiency in the interest that they pay. We are working on a rough and ready basis and we shall get into an unfair position if we go into details as regards rates of depreciation. You ought to welcome the fact if you find that you are providing a little bit too high a rate of depreciation on certain assets because there is a very big margin to make up as regards interest payments. As pointed out the other day, there is the fact that with these new rates of pay and new and more favourable time scale allowances we may have an automatic increase in the cost of staff which will more than offset the normal growth of revenue. We have also got to take into account what I have been referring to, the automatic growth of interest charges which is inevitable. So that you have got to accept the fact that you are working on a rough and ready basis at present and if we attempt to adjust a particular item because we find that the allowance is a little too high we should be making a mistake.

*Sir Frederic Gauntlett.*—I quite accept that view.

*Chairman.*—All that we can do at present is to say, let it be laid down that all these things be very carefully watched.

87. *Sir Frederic Gauntlett.*—I think there was a rough attempt made to estimate the time by which the excessive payments to capital on account of renewals and replacements will cease when the scheme was drawn up, but I should like to consult Mr. Badenoch about that. He was the officer who was mainly responsible for working out the details on my side.

88 *Chairman.*—I think if that view is generally accepted, the Committee might content itself with recording an observation that these matters must be carefully watched and that it should be glad to have each year a review of the position.

*Sir Frederic Gauntlett.*—Do you suggest that the revision of the estimated life should be held over for a further time during which a more accurate attempt should be made to estimate the life ?

*Chairman.*—Yes, that is my suggestion and I think if this Committee could have put before it a careful report every year with a statement from the Auditor General that in all the circumstances he thinks rough and ready justice is being done, I myself think that ought to be sufficient. I think that what we want to do on this Committee is to insist that the matter is really being carefully followed up and that the Auditor General, who is the independent critic, has satisfied himself that as far as he can tell at present nothing substantially uncommercial is being done.

89. *Sir Frederic Gauntlett.*—We would accept in principle the idea that if the department is able to prove that the present estimated life in any particular instance is decisively excessive it would be entitled, other things being equal, to modify the rate of depreciation based on the previous estimated life which has proved to be incorrect.

*Chairman.*—I should think this is only justified if you are satisfied that, looking at the picture as a whole, there is an excess allowance.

*Sir Frederic Gauntlett.*—Yes. I quite agree that the whole thing wants careful study and that this Committee is not the place to study such details.

90. *Chairman.*—What I want to emphasise is this. I do not think you can consider any individual item. I think you have got to look at the picture as a whole and before you make a change in respect of depreciation allowance on any particular item I think you ought to relate that to the position as a whole. My view is—and no doubt it is quite a superficial one—if you combine the interest charge and the depreciation allowance which has been provided, the burden put upon the posts and telegraphs department service is less than what the normal average burden will be when all the depreciated assets that have been taken over are replaced.

*Sir Frederic Gauntlett.*—The fact remains that at the moment when the department became a commercial department the value of the assets handed over were estimated at a particular figure and unless one could say that that estimate is wrong, one could hardly say that the department is being treated with undue leniency.

91. *Mr. Roy.*—Has there been any proper survey of the assets of the posts and telegraphs department ?

*Mr. Coburn.*—There was a complete survey at the time of the reconstitution of the accounts. The block account was introduced after long investigation and enumeration of the assets. There has been no complete survey since then.

*Mr. Roy.*—An account and audit survey ?

*Mr. Coburn.*—No. An engineering officer was placed on special duty to deal with the matter.

*Mr. Roy.*—And the Auditor General was satisfied with it ?

*Sir Frederic Gauntlett.*—Yes. The officer was on it for two years, I believe.

*Mr. Coburn.*—Probably more.

92. *Maulvi Abdul Matin Chaudhury.*—In view of the facts brought out in this memorandum I think there is reason for revision in regard to iron wire, copper wire and posts.

*Mr. Coburn.*—May I draw attention to paragraph 7 ?

93. *Chairman.*—Can you answer me on a quite elementary question as to the basis on which you are working the depreciation fund ? Are you providing or is it calculated to provide, when replacing the asset at the end of its life, for its original cost or its depreciated cost when you took it over ?

*Mr. Coburn.*—As to assets which came into existence since the 1st April 1925, for the original cost, and in the case of an asset that was in existence before the 1st April 1925, the depreciated value.

94. *Chairman.*—That reinforces what I say. Now your depreciation fund is only calculated to replace at the end of the life the depreciated value of the asset when you took that over. Supposing you took over a line of telegraph wire which had originally cost say £10,000 and which when it was made was estimated as having a life of say 25 years and had gone through 20 years of that life. To put it very crudely, these are the exact figures : it had run 20 years out of the 25 years and it originally cost £10,000 and you would say four-fifth of its life had gone and when you took it over it was valued at £2,000. In the remaining five years you set aside £400 a year. It goes on for five years, we will say, and after those five years you are not charging the revenue with any amount in respect of depreciation. Then suddenly you have to find £10,000 and the interest charge goes up from £100 a year to £500 a year and your depreciation allowance being 4 per cent. of the £10,000 goes up from nothing to £400 and so on. So you are suddenly faced with a complete change in your working position, and if in the interval—I am only dealing with a small figure and that has to be multiplied several times—if in the interval as a result of the fact that you are having to set aside nothing for depreciation and pay a very small interest charge you would have said “we are making very good profit and we can reduce our rates”, then suddenly you meet with an enormous increase and find that all your reductions are being based on a miscalculation. I find myself in this situation, it has caused me ever since I heard about it a great deal of anxiety because we are faced with the popular demand for reduction of rates and they can justifiably base their demand on the results which they see of earlier accounts and they do not realise that we were for four or five years in a period of fictitious prosperity. If it was a commercial concern you would find its shares being boosted up suddenly and then coming to a very difficult position when its assets had to be replaced.

95. *Mr. Das.*—May I take you to last year's proceedings at page 16, Volume II, where Sir Frederic Gauntlett said :

“I think the Committee might recommend whether there are alternative methods of checking these rates of depreciation. If you wait

until the plant comes down, it may be a matter of a good many years before you arrive at the correct depreciation."

I said :

"I think the Accountant General has formed his opinion too hastily. You cannot come to a conclusion from a year or two's wear and tear."

Then the Chairman said :

"I think the point is debatable and that being so, my own opinion is that we had better stick to the Auditor General's suggestion which is the best under the circumstances from the point of view of advantage to the department."

Already the postal department is deriving a certain amount of benefit because they are paying depreciation charges on the depreciated amount of the capital. So we ought not to go on suddenly changing the rates but we must retain them for some more years. Then what about renewals when cyclones, floods, etc., happen and the lines are washed away?

*Chairman.*—I entirely agree with what you say so far as you go and I want to go even further. I do not say that we can give effect to what I have been saying in putting up the rates, but I think one ought to take them into account and realise that the posts and telegraphs department is for the reason which I have stated in rather a dangerous position; at least we are in the position of misleading the public as to what are the commercial results.

96. *Sir Frederic Gauntlett.*—There is one question that I want to ask Mr. Coburn. I was a little nervous as to what Mr. Das reported Mr. Coburn to have said, that the rates of depreciation were now being applied to the depreciated value at the time of taking over.

*Mr. Coburn.*—No. I said the original value.

97. *Chairman.*—It is on the original value, but you are satisfied that if there was only 5 years' life when the thing was taken over, you made your provision on the original value for 5 years and then you stopped. That is I think an extremely dangerous thing and that is a point that has only been brought to my notice for the first time in this report and we shall be working with a larger number of assets for which we are making no provision at all at present.

*Sir Frederic Gauntlett.*—Quite so.

98. *Mr. Das.*—I have to make one observation on what tell from your lips, Mr. Chairman. You said that when renewals are made the capital cost goes up. Why should it not be charged to the depreciation fund? The capital will then be stationary.

*Chairman.*—The depreciation fund will not be large enough to meet it. Let me again explain the position. Say you take over a telegraph line the original cost of which is £10,000 and its life is estimated at 25 years. We take it over after 20 years, that is 20 years had gone when the department took it over. The depreciated value is therefore one-fifth of the original value, or £2,000. It has got another five years' life to go. Therefore the allowance for depreciation is £400 a year. I am not taking into consideration whether there is a sinking fund or not, I am taking it on a simple basis.

There is another five years during which depreciation has to be paid at £400 a year. Then you will have £2,000 standing to the credit of the depreciation fund representing your provision against the replacement of that telegraph line. At the end of 25 years you find that the telegraph line is still good and does not need to be replaced. Therefore the working results of the Posts and Telegraphs Department are improved by the fact that that allowance of £400 a year no longer has to be met. At the same time you are only paying interest on £2,000, so that the total charge in respect of that line debited to the revenues of the Posts and Telegraphs Department is only £100 a year. That goes on for five years. Then suddenly the line has to be replaced. It has to be replaced at the enhanced post-war value. £10,000 was the original pre-war value. It may have to be replaced at a cost of £15,000. Then you suddenly have to provide 4 per cent. depreciation on £15,000 and you have to provide 5 per cent. interest on £15,000. The charge that the Posts and Telegraphs Department has to meet in respect of that telegraph line suddenly goes up from £100 a year to £1,350 a year. If that happens in the case of a very large number of assets of the Posts and Telegraphs Department you would find that the reductions in rates which you have agreed to under pressure from the Legislative Assembly in the past five years would be quite unjustified and you would arrive at a most dangerous position.

*Sir Frederic Gauntlett.*—I would explain the position in a somewhat different form. At the date of the taking over of the department on a commercial basis there ought to have been a very large sum in this depreciation fund. As a matter of fact there was nothing in the fund at that moment. One alternative would have been to have borrowed and added to the capital of the department. It was thought that that would impose an unfair burden on the department as a whole and therefore instead of borrowing at that moment they agreed that it should be borrowed over a series of years as assets came up for replacement.

*Chairman.*—That is the only practical course that could have been adopted. We ought to realise what we have done. If we are now going to have 12 lakhs provision for the depreciation fund which is suddenly going to disappear next year because the asset has lived out its estimated life and if it is going to happen on a large scale, it is going to create fictitious results which we ought not to allow. That will deceive the public.

99. *Mr. Neogy.*—The Posts and Telegraphs Department was never treated as a commercial department. Was it quite fair on the part of the general revenues to assess interest on the assets which were in the past really meant to be a present to the Postal Department? After having charged that interest you expect the department to provide for past depreciation.

*Sir Frederic Gauntlett.*—This question was discussed when the subject of commercialisation came up before this Committee three years ago. It is difficult to raise a fundamental question of policy now as the matter was accepted by the Committee three years ago.

*Mr. Neogy.*—When considering the question of interest, the Chairman expressed the opinion that the interest was rather lenient. The interest

charged, if it were based on the original value of the assets, would be much more than that is being really paid by the Department. This particular observation is relevant to the remark of the Chairman.

*Chairman.*—I think your statement of the position as a present which was made to the Government is not correct because I take it that the whole undertaking was not built up out of revenue but out of borrowed money, out of loan funds. If you were now to say that the Posts and Telegraphs Department is not liable to meet that interest what you would be doing really would be to ask the general tax-payer to make a present to the particular individual who happens to send telegrams.

100. *Mr. Neogy.*—Government deliberately chose to treat this department as not a commercial department but as one designed primarily for public convenience and as an educative factor. Are we, sitting here today, entitled to say “Well, if the tax-payer in the past chose to treat this department differently, it is no business of ours. We must charge interest on the assets which they got out of the tax-payer, as a result of the deliberate policy which they adopted in the past”.

*Chairman.*—Your line of argument is perfectly legitimate. What I have been trying to indicate rather is the danger that might result eventually.

101. *Mr. Neogy.*—I do not want this Committee to go back upon the decision that has been taken in regard to this matter. What I intended to point out was that we need not be so strict in applying these principles to a department which has been treated as a commercial undertaking and whose history does not justify such a strict treatment as that now proposed to be applied.

*Chairman.*—Let me just continue what I was going to say. Your line is quite a justifiable line but we have to face this position. It has been decided as a matter of policy to treat the Posts and Telegraphs Department as a commercial undertaking and each asset as it disappears will have to be replaced by an asset which will have to be bought and on which interest will have to be paid. What I want to point out to the Committee is this. If we go on for the next few years treating a part at any rate of the value of the assets as a present we have got to face the fact that the future task of the Posts and Telegraphs Department is going to be more difficult than its present task and if we now reduce the rates on the ground that apparently profits are being made we may get into a very great tangle when the present state of things comes to an end. I think we have to take a survey of the position as a whole. If we are going to take advantage of all the favourable points and ignore all the unfavourable points, the position which I consider already dangerous is going to be worse.

102. *Sir Frederic Gauntlett.*—There is another point. Sir Arthur Dickinson has recommended that the rules of allocation as between capital and revenue should be altered and that we should revert to the old system and, that is, that the only legitimate charge against capital is a charge which represents the measure of improvement and not the measure of additional cost.

*Chairman.*—Our depreciation fund should therefore provide for the enhanced cost. It means that the rates of depreciation must be increased.



*Sir Frederic Gauntlett.*—That would outweigh any possible advantage gained from a favourable estimate of life which has already been made. It is a most important point.

103. *Chairman.*—I think we want more information than we have at present. The whole thing requires very careful watching and I would suggest that our line of action ought to be that it should be watched and that we should get a report on it from year to year from the Auditor General as to how it appears to be working.

*Sir Frederic Gauntlett.*—I made some additions to the proceedings of yesterday in connection with the points raised then. If the proceedings of today could include the other points which have been mentioned, we might take into consideration some of the more important matters in preparing the financial review.

*Chairman.*—I would ask the Committee not to take a hasty decision.

104. *Mr. Das.*—If we have a tabulated statement for the last ten years or 15 years of the renewals and replacements, it will form some guide in future years.

*Chairman.*—We might ask the Auditor General to consider with the department what information we can get on that question.

*Sir Frederic Gauntlett.*—We might find out how far we can prepare a statement of that kind.

105. *Maulvi Abdul Matin Chaudhury.*—Our difficulty is this. We take the position that whatever funds may be available from this commercial department should go towards the reduction of rates but we find that such a huge accumulation is being made in the depreciation fund, while the department is being run at a loss. Why should not the contribution to the depreciation fund be reduced to the very minimum ?

*Chairman.*—My view of the matter is this. If you are going to run the department on commercial lines, then you must run it on sound commercial lines. I consider that on the figures and statements we have got before us, if we follow the suggestions which are made in this note, we shall get on to very unsound commercial lines.

106. *Maulvi Abdul Matin Chaudhury.*—The expense on repairs and renewals and the contributions that we are making seem very disproportionate.

*Chairman.*—I do not think we have got before us sufficient information now to answer the question whether we are really making a bigger provision than what is required. I pointed out various dangers in the situation which are the necessary consequence of the terms on which the Posts and Telegraphs undertakings are taken over. When a suggestion is made that the provision for depreciation on certain assets should be cut out altogether, I say that before you do that you must consider the general situation. I see very great dangers in the general situation. Before you take any decision, let us examine the whole situation.

*Mr. Coburn.*—I may point out that our present procedure is in accordance with existing orders.

*Chairman.*—I propose that we should make a recommendation that those orders should be reconsidered and that the whole position should be reviewed

107. *Mr. Shervani.*—Will it be sound to take unforeseen dangers into account?

*Chairman.*—We are taking the unavoidable fact that all material things in this world have a limited life and we cannot get away from that. That is the law of nature. For the reasons that I have explained, namely, that the whole undertaking is standing at about half its capital value and our depreciation allowance and interest charges are kept low, we have got a very big margin of danger in the situation.

108. *Mr. Shervani.*—The figures which are available up till now show that the amount of contribution is too disproportionate.

*Chairman.*—We have reckoned on 25 years. It looks as though they are going to be 35 years. When the time comes to replace the asset, we shall not have in the depreciation fund anything like the sum which we require to replace it. We shall only have about 50 per cent. on an average of the amount required to replace those assets and our working results would be much worse than what they are now.

*Sir Frederic Gauntlett.*—May I also add that it is unscientific and incorrect to compare the contribution paid into the fund in any one year with the actual sums spent on renewals and replacements in that year because the contribution this year is meant to cover renewals and replacements several years ahead. You are correct in saying that the figures are disproportionate. My answer to that is that it is not right to place them side by side because they are not comparable.

*Chairman.*—You should not get misleading accounts of what your annual expenses really are. I think we must take the utmost care to arrive at what is a fair basis for setting aside. We do not want to over-do it but once we settle that, then we must stick to that and if we depart from that we shall be misleading the public and we shall be landing Government into making reductions of rates which you will find two years hence you could not afford to make. My point is to get our commercial practice absolutely sound and then if public opinion is strongly in favour of rates being reduced and the Government's financial position affords it then let the rates be reduced.

109. *Sir Frederic Gauntlett.*—With regard to Mr. Das's request for a tabulated statement, if you turn to pages 106 and 107 of the Appropriation Accounts you will find there is a tabulated statement there for one year. It is possible to bring together more statements of that kind. I should like to know whether more than that is required.

110. *Chairman.*—I do not think we can possibly go on discussing technical questions of this kind in a large Committee like this. I think two or three members of this Committee might form themselves into a small sub-committee to study this matter further.

*Mr. Das.*—We have got ample confidence in the Auditor General and in the Financial Adviser. We need not interfere in the details. We are only

suggesting that further details should be collected so that the Government could come to a decision some time in the future.

*Chairman.*—If your suggestion represents the general view of the Committee, there is nothing more to be said.

*Mr. Das.*—That is my personal view.

*Chairman.*—May we take it that that is the general view of the Committee?

*Maulvi Mohammad Yakub.*—In a large Committee like this it is difficult to go into details and find out the correct procedure for the future.

*Mr. Roy.*—That is not the business of this Committee. Our business is to see whether the figures in the Depreciation Fund are correct.

111. *Chairman.*—The way I put it is this. Just as in the case of the separation of the Railway Finance a Committee of the Legislature has been appointed to consider the working of the Convention, so this Committee might recommend that in view of the importance of the Posts and Telegraphs Department and the public interests at stake in rates, there should be appointed a small Committee of the Legislature to consider the working of the commercialised Posts and Telegraphs Department; particularly having regard to the question which has arisen in connection with depreciation. I am anxious that this subject should be discussed and thoroughly gone into. I want to avoid the possibility of a public attack being made in the direction of reducing rates without knowing really what the facts are as regards the earning power of the Department.

*Maulvi Abdul Matin Chaudhury.*—The Chairman's suggestion about the Committee is quite reasonable.

112. *Sir Frederic Gauntlett.*—I suggest, if the Committee be appointed, that it is desirable that the executive Government should prepare in the first place a thorough and carefully prepared note of the financial position to place before the Committee to work on that basis.

113. *Chairman.*—The Public Accounts Committee should make a recommendation that in view of the importance of the subject and the facts which have been brought to its notice this morning about the working of the Depreciation allowance, a Committee should be appointed to study the working of the commercialised Posts and Telegraphs Department as set down 4 years ago. It is an exact parallel to the Railway finances.

*Sir Frederic Gauntlett.*—It was an experimental measure then; the methods adopted were experimental and one would like to have the working reviewed.

*Chairman.*—I threw out the suggestion because I felt that we were not likely to come to an end of the present discussion. Perhaps the Committee would allow me to consult the Honourable Member for Industries and Labour before actually recording its recommendation. I do not think it is quite fair to him to record a conclusion like that without giving him a chance of expressing his opinion. If he differs, I have no doubt he will come down and meet the Committee and explain his reasons.

114. *Chairman.*—*Paragraph 18 (a) of the Auditor General's letter.*—I think we have dealt with it. This is a case where a specific vote will be required. Has any member any remarks to make on this sub-paragraph?

*Sir Frederic Gauntlett.*—The real question for consideration is why the supplementary grant of Rs. 20,11,000 asked for in March 1928 was so inadequate.

*Mr. Coburn.*—The supplementary grant was based on 9 months' actuals. We had to work on a certain assumption regarding the extent to which the concessions referred to in the General Memorandum had already been settled up and the result showed that that assumption was an incorrect one. Another reason for the difference between the actual expenditure and the grant as supplemented was that there was an excess of about Rs. 2½ lakhs under Stationery and Printing. The Auditor General has made some comment on that point. The main reason however was the insufficiency of our knowledge regarding the effect of these numerous concessions that had been granted to the staff.

*Chairman.*—The Committee has heard the explanation. Is there any further comment to make? I think myself that we have had rather a convincing explanation of particular difficulties under which the Department is labouring in the year in question.

115. *Sir Frederic Gauntlett.*—*Paragraph 19, ibid.*—I should like a definite recommendation of the Committee that this suggestion of mine be accepted.

*Mr. Coburn.*—We actually did distribute the grant, but in the same sanction we included a number of re-appropriations. That has been the practice of the Department in the past. I am prepared to accept the suggestion.

*Chairman.*—The Committee accepts that.

116. *Sir Frederic Gauntlett.*—*Paragraph 20, ibid.*—The point, Sir, is whether re-appropriations should not be made during the course of the year as necessity for them is found or whether the practice followed by the Posts and Telegraphs Department be accepted. The practice is that a list of re-appropriations is kept and a lump statement of re-appropriations made at the end of the year. I suggest that proper financial control is better ensured by making re-appropriations as the need for them is found. This lump distribution at the end of the year is more in the nature of an eyewash to make the accounts suit the appropriations than to make the appropriations fit the expenditure.

*Mr. Coburn.*—The position is that the suggestion would involve a lot of extra work to a good many people to issue re-appropriation statements whenever any transfer is made. As a matter of fact what happens is that the head of a circle applies for an additional allotment under a certain head. The D. G. knows that there is a saving under another head and he keeps the register of allotments made to various circles. But later on other heads of circles might report savings under that head, and if he made a re-appropriation when the first application came in, he might find it unnecessary for the grant as a whole. I certainly think, however, that we ought to make a re-appropriation earlier than the 31st March.

*Sir Frederic Gauntlett.*—I might mention, Sir, that this is a question of general importance; the same question was discussed in the Army

Accounts Committee and perhaps the Committee might like to ascertain the views of the Finance Secretary on the point.

*Chairman.*—That was exactly what I was going to suggest.

*Mr. Burdon.*—I think the most important observations of the Military Accounts Committee occur in the last paragraph and what strikes me as a really important thing is that re-appropriations should be made as you go along. If you do not, the money is very liable to be spent, if it is not withdrawn from the authority which actually holds the money. There is a certain risk of double expenditure. I do not think one can dispose of the matter entirely off hand. Probably a good deal has to be said for both courses. The Auditor General himself probably knows the *pros* and *cons* better than anybody else.

*Sir Frederic Gauntlett.*—So long as the Posts and Telegraphs Department keeps a formal record of all the appropriations which it sanctions internally during the course of the year, so that it knows the exact position, and cancels such as are possible to be cancelled and supplies at the end of the year a statement of the net re-appropriations which are ultimately found necessary, it may be all right. But if that course is followed, then the Accounts Department cannot help the executive in any way with its financial control during the course of the year by re-appropriations. If the re-appropriations are not communicated to audit, then audit cannot watch the expenditure against the reduced or increased allotments under individual heads. The whole of the responsibility for that check rests with the executive. Up to the present it has been the practice of the Accounts Department to help the executive in checking expenditure against reduced or increased allotments. It is not for us to say whether they should be communicated or not. But if they are not communicated, the help we have rendered in the past must be withdrawn, because we have no information.

117. *Chairman.*—Would it not meet the point if a monthly return of detailed re-appropriations sanctioned with the authority of the Department was submitted to the Accounts Department?

*Sir Frederic Gauntlett.*—It is a question entirely of financial control. To the extent that the help of the Accounts Department is deemed to be necessary, to that extent we are prepared to accept the return and to help in the financial control, but we can give no assistance beyond the information supplied.

*Mr. Burdon.*—Being interested particularly in financial control, I should be very much inclined to say that in principle we ought to make re-appropriations as you go along.

*Sir Frederic Gauntlett.*—This very question arose in the Burma Public Accounts Committee when I was there two months ago and they were going to change over to this system which is followed in the Posts and Telegraphs Department. I said to them exactly what I have said now. They said that they would prefer to have our assistance and they would continue the old practice of sending re-appropriations as they were made.

*Chairman.*—I think the arguments are so strong on the side of your recommendation that I should want a very strong case as regards convenience made against it, because, in principle, we ought never to acquiesce in the

idea that expenditure should be incurred under one head without making some provision as to the source from which it is to be met.

*Sir Frederic Gauntlett.*—I understand from what Mr. Coburn has stated that the internal rules are adequate to meet that point.

*Chairman.*—The case might be met by monthly return.

*Mr. Burdon.*—We have a more detailed system of expenditure control which we are building up in the Finance Department. I had a note on the subject recently from my Under Secretary. He has acknowledged that the previous system was defective. A Department comes up and says: "Here is expenditure which must be incurred and it simply cannot be postponed." Very often that is perfectly true. In the past they always said: "We will endeavour to meet it by re-appropriation and if we are unsuccessful we will come up with a supplementary grant at the end of the year." That form was accepted by the Finance Department for a very long time as being sufficient. What actually happened was that nobody ever attempted to make a re-appropriation at all. They hoped that their accounting officer would report some automatic saving which would probably cover the expenditure and if not they come up for an additional grant at the end of the year. In the detailed system of control which we are working up now, we have a little group of clerks and assistants working with the Under Secretary and whenever any expenditure of that kind is agreed to, it is made conditional upon re-appropriation. Re-appropriation is made and the schedule group has definite obligation placed upon it to hunt until a specific re-appropriation has been made and communicated to audit. That is what we are working out to control general civil expenditure. Whether there is any practical inconvenience in doing that in the case of the Posts and Telegraphs or the Army Accounts, I am not really qualified to say at the moment, but the advantages of our system are quite obvious.

*Sir Frederic Gauntlett.*—The comment of the Committee should deal with two points, (1) the need of re-appropriation for internal control within the Department, and (2) the extent to which the Accounts Department should be asked to co-operate through the medium of re-appropriations communicated to the Accounts Department.

*Chairman.*—I suggest that the Committee should affirm the recommendation of the Auditor General on the first point, that there should always be a specific re-appropriation.

118. *Mr. Coburn.*—Whenever an allotment is given to a head of a circle or added to or reduced, a copy of the order is always furnished to the Accounts. I quite agree that a monthly consolidated re-appropriation as suggested would be more satisfactory.

*Chairman.*—If you are doing it already, I do not see why you should object to the Committee's recommendation.

*Mr. Coburn.*—I do not object to it.

*Chairman.*—We agree as to that. The second point is giving information to the Accounts as to what is being done. We accept those principles.

119. *Chairman.*—The next paragraph to which the Auditor General has called special attention is paragraph 25, referring to pages 80 to 83. This is really a case of defective budgeting. We have already expressed general views on the subject and we have got a very strong undertaking already from the Department to take account of these points: we have further been told that the special difficulties have been got over and that this sort of thing would not occur again.

*Kumar Ganganand Sinha.*—We may accept that undertaking.

120. *Chairman.*—*Paragraphs 27 and 28 ibid.*—These refer to defective financial control. The Auditor General has called attention to these cases.

*Sir Frederic Gauntlett.*—There was a special officer on duty the whole of that year and for a good part of the previous year—in fact he was on special duty for three years—revising all the codes and manuals; it was known perfectly well that these codes would have to be reprinted and that the cost would obviously be considerable.

*Mr. Rogers.*—The necessity for making provision was not overlooked and a sum of Rs. 80,000 was included in the revised estimate for the purpose. But the Controller of Printing and Stationery informed us that the excess over the budget grant was due mainly to increased stationery supplied and printing done for the Posts and Telegraphs Department and partly to adjustments relating to the previous year. The progress of expenditure during the first eleven months of 1927-28 as recorded in this office did not justify the provision of additional funds under this head before the close of the financial year.

*Mr. Coburn.*—The cost for reprinting manuals was included in the revised grant of Rs. 22,38,000.

121. *Sir Frederic Gauntlett.*—Doesn't it indicate some lack of co-operation between the Controller of Printing and Stationery and the Posts and Telegraphs Department? This position has constantly arisen before.

*Mr. Rogers.*—We have very much better control and contact with him, especially now that he is in Delhi. These accounts refer to two years ago when our contact was not so close.

*Chairman.*—You will admit that there is an enormous percentage of excess under Telegraphs. It is double. I think we have called attention to it and we have got this undertaking.

*Sir Frederic Gauntlett.*—I think the Committee might emphasise the desirability of more co-operation; we are assured that an attempt will be made to get closer co-operation in the future.

122. *Kumar Ganganand Sinha.*—We might incidentally refer to paragraph 26 of the letter with regard to the over-stocking of stamps, etc., which could have been foreseen by the Department.

*Sir Frederic Gauntlett.*—The point referred to by Kumar Ganganand Sinha does not come under Stationery and Printing. It is a different matter.

*Chairman.*—You do not consider that as an important paragraph. It is really part of the same kind of thing.

*Mr. Rogers.*—The decision that the Central Stock Depot should be abolished was not arrived at till the budget estimates of 1927-28 were framed.

*Sir Frederic Gauntlett.*—The Accountant General says that it was arrived at in December 1927.

*Chairman.*—I suppose we can accept that explanation.

123. *Sir Frederic Gauntlett.*—Paragraph 80, Chapter VI, pages 112—116 of the Report.—With reference to sub-paragraph (iv) Freight, the position briefly is that the whole of the freight charge ought to be distributed over other items by the operation of a percentage. If the percentage is quite accurate, there will be nothing left undistributed. In fact, the amount undistributed was Rs. 1,72,000, which is about 30 per cent. of the total charges.

*Chairman.*—We are working the new system for the first time but has there been any improvement since?

*Mr. Coburn.*—The percentage is revised every year in consultation with the Accountant General.

*Sir Frederic Gauntlett.*—You accept the comment that it needs revision and say that the revision has been made.

*Chairman.*—You made an error last year and next year you think you will make a smaller error?

*Mr. Coburn.*—Yes.

121. *Mr. Rogers.*—Paragraph 34 of the Auditor General's letter.—We have addressed the India Office with regard to all these comments of the Auditor General and have drawn the attention of the Director-in-Chief to them.

*Chairman.*—It will strengthen your hands if the Public Accounts Committee called attention to the fact that they desired further information on the subject.

*Mr. Rogers.*—Yes.

125. *Chairman.*—Paragraph 44 of the Auditor General's letter.—What is the "first canon of financial propriety" mentioned here?

*Sir Frederic Gauntlett.*—It means that Government servants spending Government money should exercise the same amount of prudence and carefulness as a reasonable private person does while spending his own money.

*Mr. Ryan.*—This case has already been formally reported to the Public Accounts Committee. I presume the members have seen the report.

*Sir Frederic Gauntlett.*—Perhaps I might remark that if I had been consulted before about this case I should not have raised this point at all. Briefly put, a new station was built at Lucknow on a great scale of elaboration and what the Posts and Telegraphs Department is now being asked to pay is the rental for a room in the new station for its Railway Mail Service. It seems to me inevitable that the Railway Mail Service should, if possible, be



housed in the station and all that the Posts and Telegraphs Department could be asked to pay is the rental on the legitimate share of the capital cost of building the station.

126. *Mr. Neogy*.—Do I take it that the Railway Mail Service is absolutely bound to the chariot wheels of the Railway Station ?

*Mr. Rogers*.—We cannot do our work anywhere else.

*M a ulvi Mohammad Yakub*.—Probably the Postal authorities had no hand in the building ?

*Mr. Rogers*.—We did protest to the Railway authorities.

128. *Mr. Neogy*.—Is it absolutely impossible for your department to make separate arrangements for housing the Railway Mail Service ?

*Mr. Rogers*.—It is essential that the Railway Mail Service should be on the station premises otherwise there is no point in our being there. You might just as well put the railway booking office half a mile away from the station.

129. *Mr. Neogy*.—If the Railway Department choose to do things on a grand scale as they have done in the case of Lucknow, you are absolutely helpless ?

*Mr. Rogers*.—Yes, just as we are absolutely helpless in the case of the Imperial Secretariat Post Offices at New Delhi for which we pay very heavy rents—about Rs. 800 a month for two small rooms.

*Mr. Roy*.—Is it obligatory on you to have the post offices there ?

*Mr. Rogers*.—They are put there for the convenience of the various offices.

*Mr. Roy*.—Is it sufficiently commercial ?

*Mr. Rogers*.—I think an office is required there. In the same way in the Legislative Assembly building we have got a post office for which we have to pay a very high rent. After all if you have post offices in expensive buildings you have to pay a higher rent.

*Chairman*.—The principle seems to be rather important and when big sums are involved, I think it would be very much worth your while to fight for the principle.

130. *Mr. Roy*.—What is the English practice ? Do they take rooms in all stations for the Railway Mail Service ?

*Mr. Rogers*.—The system of Railway Mail Service in England is very different because the journeys are comparatively short. There is comparatively little sorting done in the trains and all the work is done at night. The big parcel Expresses which go to Scotland are simply loaded with bags that have already been sorted.

*Mr. Roy*.—Do you have a good deal of sorting here ?

*Mr. Rogers*.—We do most of our sorting in the Railway Mail Service. It would be uneconomical to waste all that precious time by merely carrying sorted bags which we can do on the way.

131. *Chairman*.—I think this enormous increase in rent indicates that the accommodation provided at Lucknow station has been provided on an extremely elaborate scale and I doubt if the Government of India can afford to maintain that sort of standard ?

*Mr. Neogy*.—The general tax-payer should feel satisfied that the Railway Mail Service is housed in a fine building which is famous for its architectural features perhaps.

*Mr. Rogers*.—Might I also say that the building for which we were paying Rs. 55 a month was totally inadequate and we really required a building for which we would have had to pay a little more.

132. *Mr. Roy*.—Are you satisfied that the rents you are paying for the accommodation you receive are quite satisfactory and economical ?

*Mr. Rogers*.—Ordinarily, yes ; we are not overcharged.

133. *Mr. Neogy*.—All the more important stations are now being remodelled and they have gone in for an elaborate scheme of rebuilding most of these stations. In that case you are likely to come in for buildings like these in the future.

*Mr. Rogers*.—I think the Lucknow case was rather exceptional. Our rent is apt to be enhanced a little but not to any alarming extent.

134. *Kumar Ganganand Sinha*.—Would it not be possible to acquire ground for your Railway Mail Service ?

*Mr. Rogers*.—We want a room inside the station precincts. We want it on the platform because the train is drawn up at the platform and the mails have to be loaded in the train from the platform.

135. *Chairman*.—We might record the suggestion which I suggested and ask for a report as to whether any other cases are likely to occur in the future where a similar enhancement will be made.

*Mr. Rogers*.—In future we should probably refer to Government at the very outset.

136. *Colonel Gidney*.—Is the rental based on the total cost of the building ? Is it in the same proportion as that of the refreshment room, for instance ?

*Mr. Rogers*.—It is based on area.

137. *Maulvi Abdul Matin Chaudhury*.—Please refer to page 11 of Appropriation Accounts, Telegraph Branch. Will you not consider the possibility of raising the rates of foreign telegrams seeing that the department is being run at a loss ?

*Mr. Rogers*.—The rates on foreign messages are international. The line runs through several countries. There is a terminal charge and a transit charge and the whole thing is fixed by an international agreement, and also from a commercial point of view in order to attract traffic. In fact, we have cases in which we have to adjust our rates on foreign telegrams in order to attract the traffic.

138. *Maulvi Abdul Matin Chaudhury*.—But your lowering of rates has not resulted in attracting traffic because you show a loss.

*Mr. Rogers.*—As a matter of fact the traffic is increased but the revenue has not increased. The chief cause of the loss on the Telegraph Branch is the very low rates for press traffic.

*Mr. Roy.*—When were last rates fixed ?

*Mr. Rogers.*—There are so many rates and they are being changed constantly from time to time. There are different rates from Madras to the Strait Settlements and to Australia and so on. They are all different lines. There is no one foreign telegraph rate.

*Chairman.*—There must have been a substantial change which produced this result ?

*Mr. Rogers.*—As a matter of fact, it is due to exchange.

*Mr. Coburn.*—This reduction was due to the change in exchange value of the rupee. Originally, the charge to India was based on 1s. 4d. per rupee.

*Sir Frederic Gauntlett.*—For some time India has been profiting at the expense of foreign countries.

*Chairman.*—Then this loss is due to your having been found out. It is due to the fact that you were working as though the rupee was worth 1s. 4d. when it was really 1s. 6d.

139. *Mr. Neogy.*—May I know if the Air Mail is likely to affect your foreign Telegraph Branch ?

*Mr. Rogers.*—I do not think it is very likely to.

140. *Mr. Das.*—I would like to know when we are going to reduce the foreign post rates. Why should we pay 2 annas for a letter to England when we can get a letter from there for 1½d., and why should we pay to foreign countries 3 annas ? If you want to act under an International Agreement why should you not act in this case also ?

*Mr. Rogers.*—I do not think the finances of the department will allow any reduction in the postal rates at present.

*Mr. Das.*—You have no International Agreement in the postal rates ?

*Mr. Rogers.*—If any reduction is made, I imagine, it would be in the inland rates rather than foreign rates. The maximum rates are fixed by an International Agreement.

141. *Colonel Gidney.*—Please refer to page 13, paragraph 18, of the Appropriation Accounts. May I ask if this loss of 4 lakhs in the Telephone Department was entirely due to loss on obsolete and unserviceable stores, etc., connected with the Telephone Department or was it also due to Telegraph Department ?

*Mr. Coburn.*—There was a total loss of 13 lakhs. With regard to the Telegraph stores that were written down in value or written off, the loss was charged to the Telegraph Branch. Similarly, with regard to the telephone stores, the loss was charged to the Telephone Branch.

142. *Mr. Roy.*—Is there any idea of raising the telephone tariffs ?

*Mr. Rogers.*—I do not think so. It is a purely temporary loss.

*Mr. Roy.*—Certain of your telephone lines compete unduly with the Telegraph wires. Take, for instance, the telephone line to Kalka. I can telephone to Kalka for 8 annas but for a telegram I have to pay 12 annas.

*Mr. Rogers.*—I do not think you can avoid that, unless we reduce the telegram to 8 annas which we cannot afford to do. I think the telephone is bound to displace the telegraphs for short distances.

*Mr. Roy.*—So you are really cutting down the telegraph revenue?

*Mr. Rogers.*—I do not think that anything can be done in the matter.

*Mr. Coburn.*—The rates are based on actual cost.

*Chairman.*—I daresay the disparity quoted by Mr. Roy is rather large. I understand that for distances of 5 or 6 miles the telephone must displace the telegram, but when it comes to telephoning to Kalka which is after all 56 miles, it seems very large.

*Sir Frederic Gauntlett.*—The difference is much more striking in the case of Delhi.

*Mr. Rogers.*—The telephone rates, I think, were fixed with the idea of encouraging the telephone habit.

*Chairman.*—I think the point raised by Mr. Roy comes to this: that in view of the increasing competition between telephones and telegraphs, the Committee suggests that a revision of the relative rates of the two might be undertaken with a view to securing the maximum economic result.

*Mr. Rogers.*—We shall do that.

*Chairman.*—The disparities to which reference has been made here suggest that there is possible room for increasing telephone charges without loss of traffic.

*Mr. Rogers.*—Yes.

143. *Mr. Das.*—With reference to what Sir Frederic Gauntlett said (page 15 of the Report of 1926-27) last year that "The general position is that any general principles that Sir Arthur Dickinson has enunciated with regard to the treatment on railways would apply also to Posts and Telegraphs", I would like to know what the present position is?

*Sir Frederic Gauntlett.*—I think the position would be elucidated if you put a question to the Financial Commissioner, Railways, when he appears later: but I think the position is that this question is still under discussion and that the Railway Board has not yet come to any decision. Perhaps the Chairman may be able to say something. The question is whether the Government of India have yet accepted Sir Arthur Dickinson's very important proposals with regard to the changes in the rates of allocation and which bear on the question of depreciation.

*Chairman.*—No; they have not been accepted: if we accepted them, they would make a very big difference in the apparent commercial results of the railways and of course that is now under discussion by the Special Committee which is considering the separation of railway finances; and as far as I am concerned I want to get the Committee to accept these principles: we are going

to have a good deal of opposition : it means increasing the contributions to the depreciation fund very substantially.

*Mr. Das.*—If it is accepted for the railways, it will be automatically accepted for the Posts and Telegraphs ?

*Chairman.*—It will be very strong precedent, would it not ?

144. *Mr. Das.*—Another point, Sir. While we were discussing this matter of the control of the Indo-European Telegraph Department last year, the Chairman observed that in theory we had some control over the Directors of that Department and Mr. Ryan said “ I have not much to say in favour of the attitude of the late departmental authorities ”. You are now having greater co-operation from the staff ?

*Mr. Ryan.*—Yes. I do not want to cast any aspersions on people, whoever they are ; but the present staff at Karachi has been, I think, far more vigorous and helpful from our point of view than some of their predecessors.

145. *Mr. Das.*—Do you expect now that you will get the necessary control over that department ?

*Mr. Ryan.*—No. I would not say that. I would say that, having regard to the existing conditions with the control in London, we are getting all the assistance we can really ask for and all the information. At the same time we still maintain that it would be better that the control should be centred in India and we are still pressing for that : but we are not complaining against any individual.

*Mr. Neogy.*—Your control over expenditure is rather of a shadowy character, is it not ?

*Mr. Ryan.*—Well, we cannot pretend to control the heads of the department in London ; when we want information we always get it. The Director from Karachi has come up here to help us once or twice when we wanted information.

146. *Mr. Das.*—But the Secretary of State has given no opinion on your despatch ?

*Mr. Ryan.*—We have sent a despatch and, of course, these things take a long time : probably in view of the discussions yesterday and to-day we shall be reminding him about it by the next mail.

**Evidence taken at the fourth meeting of the Public Accounts Committee held on Tuesday, the 13th August 1929, at 2-30 p.m.**

**PRESENT :**

- |  |                             |
|--|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER.                                     | <i>Chairman.</i>            |
| (2) Mr. T. A. K. SHERVANI.   | } <i>Members.</i>           |
| (3) Mr. B. DAS.  |                             |
| (4) Mr. S. C. MITRA.   |                             |
| (5) Kumar GANGANAND SINHA.   |                             |
| (6) Maulvi ABDUL MATIN CHAUDHURY.  |                             |
| (7) Mr. K. C. NEOGY.   |                             |
| (8) Maulvi MOHAMMAD YAKUB.   |                             |
| (9) Mr. K. C. ROY.   |                             |
| (10) Lieut-Colonel H. A. J. GIDNEY.                                      | } <i>Were also present.</i> |
| (11) Sir FREDERIC GAUNTLETT, Auditor General.                            |                             |
| (12) The Hon'ble Mr. E. BURDON, Financial Secretary.                     |                             |
| (13) Mr. J. E. C. JUKES, Controller of Civil Accounts.                   |                             |
| (14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.            |                             |
| (15) Mr. A. C. BADENOCH, Director of Commercial Audit.                   |                             |
| (16) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department. |                             |
| (17) Mr. P. M. RAU, Audit Officer, Indian Stores Department.             |                             |
| (18) Mr. B. NEHRU, Deputy Auditor General.                               |                             |

Mr. A. H. LLOYD, Member, Central Board of Revenue.

*Witness.*

**ITEM 5 OF APPENDIX III.**

147. *Chairman.*—Can you tell this Committee, Mr. Lloyd, anything about the introduction of the system of internal check on Customs Receipts and scrutiny of such dues. As a matter of fact, we have already touched upon this point in our previous discussions, and we heard Mr. Burdon's statement on the question. I do not know whether the Committee wants to hear what Mr. Lloyd has got to say as a witness directly responsible for the Customs Department or does the Committee think that we have dealt with the subject sufficiently?

*Mr. Das.*—We would like to know what Mr. Lloyd has to say.

*Mr. Lloyd.*—I might divide the subject into two parts, firstly the improvement of the immediate check upon appraisements at the time when bills of entry covering the goods are being put through, and secondly other checks which might be regarded as more closely resembling the character of audit.

We have decided to go in for the first of these subjects in the first instance, and we have introduced with effect from the 1st of April this year an arrangement under which a large number of superior officers described as Principal Appraisers have been appointed, the object being to ensure that every appraisal is scrutinised by a superior officer at the time immediately after it has been made by the officer who conducts the original appraisal. It has been quite an expensive organisation, and, so far, it has been introduced only in Bombay and Calcutta, because we want to have the benefit of experience of those ports before extending the scheme further. As regards the other part of the matter, it is, in our opinion, less urgent than the first reform, and it is also linked up closely with the proposals that have been based upon the Report which (as, I think, all Members have heard), was prepared by a special officer on duty in the Finance Department.

148. *Mr. Roy.*—Then you have complete control over your revenue and expenditure ?

*Mr. Lloyd.*—We have greatly improved our control over revenue. This only concerns receipts. I include a certain class of expenditure in receipts, namely, refunds, because it is really a part of the process of collection.

*Sir Frederic Gauntlett.*—The ordinary expenditure of the Customs Department is audited by the staff of the local Accountant General. The special staff working directly under me deals solely with receipts and refunds.

149. *Mr. Roy.*—Have you got sufficient control over receipts ?

*Mr. Lloyd.*—When I spoke of what I call the second class of work which is of the nature of audit, I did not mean that we had not got any such control over receipts. We have got a very elaborate system in all Customs Houses of check over receipts and refunds ; certain proposals have been made for further improving that check, and for the addition of further statutory audit check.

150. *Mr. Roy.*—What will be the expenditure involved in the scheme that is before the Finance Department ?

*Mr. Rajagopalan.*—The recurring expenditure is estimated to be Rs. 3,40,000, the Accounts organization costing Rs. 1,93,000 and the Audit organization under the Auditor General Rs. 1,49,000. This includes not only Customs but Income-tax and everything. We have proposed separate Customs Offices in certain places, and in other places we have proposed Customs to be combined with income-tax, etc.

*Mr. Roy.*—Will we be right in trying to endorse the scheme in any way ?

*Chairman.*—You have heard what the Financial Secretary said about it yesterday.

*Mr. Burdon.*—I have not studied the case fully, and I am not satisfied that it is necessary to incur this additional expenditure. I propose to discuss this question with Mr. Rajagopalan as soon as I get an opportunity, and proposals, I think, would very probably be placed before the Standing Finance Committee in the cold weather with the prospect of the scheme being introduced from the next financial year, if the Standing Finance Committee approves the merits of such a proposal and also, if we are able to find the money. The

procedure will be, I take it, that all new demands of this kind are taken together and endeavour is made to fit in the most urgent, but there must be an order of priority, and particularly the Finance Department cannot make any attempt to set their claims before the claims of all the other administrative departments of the Government of India.

*Mr. Roy.*—We must remember that the revenue at the disposal of the Central Board of Revenue roughly comes to 80 crores a year. Am I right, Mr. Lloyd?

*Mr. Lloyd.*—That is the amount for which we are responsible.

*Chairman.*—It is not really the question of the amount for which they are responsible; but it is a question of what is likely to be the definite effect on revenue by introducing measures of this kind. I think Mr. Burdon really put the case very well. However, I do not think we have got sufficient evidence before us to say that we must recommend this scheme at all costs.

151. *Mr. Das.*—You said just now, Mr. Lloyd, that you are going to have a superior class of Appraisers to apply checks to the work of Appraisers. Will it be a different cadre of service or the superior Appraisers will come from the old class of Appraisers?

*Mr. Lloyd.*—I did not say a superior class of officers, I said a class of superior officers. These officers are promoted from the ranks of Appraisers. In Calcutta we had three Head Appraisers who were promoted from the ranks of Appraisers, and we have now increased the number of these promoted Appraisers considerably.

*Mr. Das.*—Last year when we were discussing this subject one or two cases came up which were entirely due to the mistakes of the Appraisers. So I think I suggested why you should not ask the Assistant Collector of Customs to apply the internal check on the work of the Appraisers because the Assistant Collectors are regarded as a better class of officers.

*Mr. Lloyd.*—I consider myself that the best check which could be effectively made would be by a man who has proved himself by service in the Appraising Department and such a man would be able to detect a great majority of the mistakes which it would not be possible for a junior Assistant Collector to detect. We cannot have 8 or 10 Assistant Collectors for this class of work; that would be very expensive.

152. *Mr. Roy.*—Assuming that Mr. Das's point of view is accepted, it will only mean a departmental check and not an audit check?

*Mr. Lloyd.*—Exactly. We select our men very carefully and we have long experience of their work, and I think they are quite suitable for the purpose.

153. *Kumar Ganganand Sinha.*—What will be the nature of the work of the Principal Appraisers you are appointing?

*Mr. Lloyd.*—There are three or four original Appraisers under each Principal Appraiser who deal with bills of entry and the connected documents. The bills of entry and other documents are then passed across to the Principal Appraiser who applies his check, which process is much quicker than the original Appraiser's scrutiny of the documents, and the Principal Appraiser



immediately proceeds to rectify mistakes, if any. I may point out that a check can always be applied more quickly than original work, because it will not be necessary for the Principal Appraiser to go into meticulous arithmetical details which are looked into by our Accounts Branch.

154. *Mr. Roy.*—What is the difference between the present system and proposed system of audit ?

*Sir Frederic Gauntlett.*—The main difference between the present system and the proposed system is that, whereas the present system is applied by one officer who tours throughout India, the proposed system amounts to this, that a small number of people would be working directly and permanently in some of the most important Customs Houses. The result of the change is that the officer who is permanently located is often able to pick up points in which it would still be possible to obtain money for goods which have been undervalued or underassessed. The old system renders it absolutely necessary to conduct the audit on a date when no effect can ever be produced upon valuations which have been incorrectly made in the past. All that can be done is to obtain the orders of a superior authority as to the correct method of valuation in the future. An experiment on the new lines is being conducted at Calcutta at present.

*Mr. Neogy.*—When was this experiment introduced ?

*Mr. Rajagopalan.*—In 1925.

*Mr. Neogy.*—Have you got the results of that experiment ?

*Sir Frederic Gauntlett.*—That has been working quite satisfactorily.

*Mr. Das.*—Is the executive side quite satisfied ?

*Mr. Lloyd.*—Quite.

155. *Chairman.*—When we are told that it has been working quite satisfactorily, does it mean that it has been working smoothly or it means that it has been paying, or in other words by the introduction of the new system we have been able to recover monies for the State which otherwise could not be recovered ?

*Sir Frederic Gauntlett.*—I have not complete figures on the subject and therefore I cannot state categorically that it more than pays for itself but that it does pick up items which could not possibly be picked up otherwise is perfectly true. It would be possible to compile statistics for a complete year. The Auditor, Home Accounts always says every year how much he has managed to save Government. I have always been reluctant to adopt any such attitude myself.

*Chairman.*—You don't want to be commercialised.

*Mr. Lloyd.*—Might I suggest one point, in which I am sure Sir Frederic Gauntlett will agree with me ? It can quite conceivably happen that an officer conducting statutory audit will discover a mistake which will lead to the benefit of the merchants and not of the Government. It is true the merchants are usually alive to their own interests but they are not always clear as to the meaning of the law. It might thus happen that statutory audit is doing particularly well in a year in which its action leads to more refunds of excess duty than recovery of short duty.

156. *Maulvi Abdul Matin Chaudhury*.—Mr. Burdon does not object to it. The only point is that, customs being the main source of revenue, whether we should not see that an efficient audit is maintained.

*Mr. Burdon*.—I have not satisfied myself on the merits of the scheme or its necessity.

157. *Chairman*.—Mr. Lloyd, are you satisfied with your experience at Calcutta that it does pay?

*Mr. Lloyd*.—I never like looking at statutory audit from that standpoint. I do not think that in the experience I have had of statutory audit (and it extends over a considerable number of years. It was introduced in 1913, nearly 17 years ago and I have been connected with customs all that time) it can be claimed that very large recoveries have been made. Of course, Sir Frederic Gauntlett has made the point that with a concurrent audit as at Calcutta recoveries are possible which cannot be made by a periodical audit; but, even so, I do not think the recoveries made by the statutory audit have been very considerable. Our biggest recoveries are in cases such as those to which Mr. Roy referred, when frauds have been detected by means which are not open to the audit to get on to. Very often information, for example.

*Sir Frederic Gauntlett*.—I think it is a valid argument that the value of an audit can never be determined merely by the money which can actually be recovered in consequence of it. But the point has always been with us that where one is dealing with 50 crores of revenue and when money has to be obtained through the operation of appraisers who are working at figures up to about Rs. 500 a month, where there are inconceivable possibilities of losses of revenue, the value of an efficient audit can never be determined by the actual recoveries but by the possible deterrent effect upon those people through whom the money must come.

158. *Chairman*.—I quite agree. But we are really raising rather a different question. In Calcutta, we say, until 1925 they had been working on a different system. In 1925 a new system is introduced. That does give you an opportunity for making comparisons which would enable you to test the value of your new system at any rate in the first few years. I agree that you could not go on applying that test because after a time the mere excellence of your work would prevent any further frauds. But when you first introduced it, you had an opportunity of seeing whether it pays or not. I wanted to know whether from your past experience you would throw any light on that question.

*Mr. Lloyd*.—I do not think I could say so, Sir. With all respect, I associate myself with what Sir Frederic Gauntlett has said. The benefit of such a scheme in preventing fraud must depend to such an enormous extent on intangibles that it is quite impossible to measure it.

159. *Chairman*.—Yes, but has there been any appreciable fraud before 1925. Is there any appreciable fraud in other places where the system has not been introduced?

*Sir Frederic Gauntlett*.—What sums were involved in the two big frauds in Calcutta and Bombay in the last two or three years?

*Mr. Lloyd*.—I could not remember—considerable sums.

*Sir Frederic Gauntlett.*—Would it be unfair to say 8 or 9 lakhs in each case ?

*Mr. Lloyd.*—I could not say. At any rate it runs into lakhs.

*Chairman.*—Would they be avoided by any such system ?

*Mr. Lloyd.*—I think it is doubtful. I could not give such an answer. In my own personal opinion I think it is doubtful whether the existence of a concurrent statutory audit rather than a periodical statutory audit would have prevented those frauds.

*Sir Frederic Gauntlett.*—I might point out that even with the concurrent audit in Calcutta we only touch a very small percentage of the bills on manufactures. I doubt very much whether it is more than 2 per cent. now.

*Mr. Rajagopalan.*—In some cases it is 5 per cent. It varies—the maximum is about 5 per cent. And there has very recently been a proposal from the Assistant Examiner that he cannot do the 5 per cent. owing to the increased work and I believe the Auditor General is agreeing to reduce the percentage.

*Sir Frederic Gauntlett.*—So long as the audit is so very fragmentary as that, the results must be indirect rather than mainly direct.

*Mr. Rajagopalan.*—It is not so much the actual percentage as the element of surprise. One never knows which particular bills of entry may be inspected on any particular day. There are about a thousand bills of entry. Any bill may be pounced upon.

160. *Mr. Roy.*—Mr. Rajagopalan, do you consider 5 per cent. is a good percentage ?

*Mr. Rajagopalan.*—I think so. They have this concurrent system in England and they do a very small percentage.

161. *Chairman.*—Of course, the main effect of audit check is its preventive check, owing to the fear of discovery. But the point that is before us now is whether this new system is going to create quite a different class of fear in anybody who wants to go wrong to the fear which already exists which will justify its cost.

*Mr. Lloyd.*—I still doubt that, Sir, because the nature of customs work is such that what we really want to do is to provide 100 per cent. checks, which we do by the scheme of appointing a number of appraisers so that every bill of entry is scrutinised a second time before the goods are delivered.

*Chairman.*—Quite so. Then what is the value of this particular scheme ?

*Mr. Lloyd.*—I think, Sir, if you are going to have audit at all it seems to me fairly clear that it is advantageous that the audit should be conducted very soon after the operations involved, while matters are fairly fresh in people's minds and so on.

162. *Chairman.*—I think I may say that the defence is getting a little weak. I would like the Committee to go no further than to say that it is in principle desirable that the most effective form of audit should be applied but that as regards this particular scheme it is prepared to give the Finance Department an opportunity to study the details more thoroughly before making a final recommendation. Will that go sufficiently far for you, Mr. Roy ?

*Mr. Roy.*—Yes.

*Mr. Mitra.*—The only difficulty is all three Committees in 1925, 1926 and 1927, have recommended that there should be some sort of check. You cannot prescribe what particular check it should be. That must be left to the Finance Department. We only say that it should be very accurate and exact.

*Kumar Ganganand Sinha.*—But the point is whether it should be extended to other ports ?

*Maulvi Abdul Matin Chaudhury.*—What is the practical way to ensure that efficient check to which you refer—how would you apply it ?

163. *Sir Frederic Gauntlett.*—Might I suggest, Sir, that it is not for this Committee to discuss practical details.

*Chairman.*—Yes, but this Committee has before it a particular item which refers to a particular scheme and that particular scheme has not yet been sufficiently studied in the Finance Department. I do not want this Committee to commit itself to approving this particular scheme or recommending its introduction.

*Mr. Roy.*—We have no scheme before us.

*Sir Frederic Gauntlett.*—I must say I have a great deal to say on this scheme. I am not saying it because as I have already said I doubt whether the Committee is the proper body to discuss the details of a particular proposal.

*Chairman.*—That is exactly the point that I was trying to make. At the same time if this Committee in connection with this particular item were to record a recommendation it would be held to be a recommendation by this Committee of the particular scheme which we have been discussing. All I wanted to do was to find a form of words which will record the Committee's opinion on this matter without committing itself to anything so specific as that.

*Sir Frederic Gauntlett.*—I only want to explain to this Committee that my reluctance to enter this discussion does not arise from any doubt as to the desirability of the scheme which Mr. Rajagopalan has put forward and which has been considered very carefully by me. I still retain my opinion on that point. I do not want to discuss the details of the scheme before this Committee.

*Mr. Neogy.*—But what else could we do ? The predecessors of this Committee have made a recommendation that there should be more effective check and if Sir Frederic Gauntlett says this is not the place to discuss such a scheme, what else can we say now ? Our predecessors have already said that there should be a more effective check. Either we consider the scheme itself or we do not say anything more.

*Sir Frederic Gauntlett.*—Is there not an alternative ?—that is, to re-endorse the opinion of your predecessors and say this question should be taken up promptly now ?

*Mr. Mitra.*—We can say that the decision should be expedited.

*Maulvi Mohammad Yakub.*—We will not be going a step further by simply repeating the opinion of our predecessors.

*Sir Frederic Gauntlett.*—Well, I am afraid the inherent difficulty in regard to this Committee is that it cannot go any further. At no stage can it ever go any further because it merely makes recommendations. The recommendations are of very great value, of course.

*Maulvi Mohammad Yakub.*—What recommendation can we make? We cannot go on repeating the same thing over and over again.

*Mr. Lloyd.*—Why not—if it is a good thing?

*Chairman.*—You can note the progress that has been made in discussing an efficient scheme and trust that an early decision will be arrived at.

#### ITEM 9 OF APPENDIX III.

164. *Chairman.*—Well, now, the next item in this Appendix III which comes under the Central Board of Revenue is item 9—Revision of the Sea Customs Act, 1878. There is really very little to examine Mr. Lloyd on that. An amending legislation on the Sea Customs Act is actually now under consideration—it may come before the Assembly next session.

*Mr. Lloyd.*—I am afraid the examination in other departments of the proposals of the Finance Department which were incorporated in the draft prepared by the Legislative Department has taken longer than we expected and we have not reached a position where we can definitely say when a Bill will be presented before the Assembly. I do not think I need mention any particular Department.

165. *Mr. Roy.*—Is this an amending or a consolidating Bill?

*Mr. Lloyd.*—That is one of the points to which I do not think I can give a final answer.

*Chairman.*—Well, I think I can explain the position quite clearly to the Committee and that is the question of what amendments are necessary has now been fully settled and there are a very substantial number of amendments mostly of quite a minor nature which have to be made. It is a question now of whether we will have time to deal with this very long amending Bill in the next session of the Legislative Assembly and the question as to whether we are making an attempt to do it or not will actually be decided in the course of the next week.

*Maulvi Mohammad Yakub.*—The Bill will only be introduced in this session?

*Chairman.*—It will only be introduced.

*Mr. Lloyd.*—I think probably, Sir, even if we are ready in time for it to be introduced, still, as it is not to be passed during the session, it is possible the Government of India may prefer to circulate it without formal introduction. It would effect the same result.

*Chairman.*—At any rate, the point I was going to make is that what we are actually going to do is to circulate it within the next session.

166. *Mr. Roy.*—In what way did it come up before this Committee?

*Sir Frederic Gauntlett.*—I think I can answer that question. Because there have been so many cases in which, owing to the fact that the present Act is

hopelessly out of date (it was passed over 50 years ago), that in order to obtain anything like a reasonable promptitude of Government business in the customs houses, the customs authorities have to act in ways which are either not provided for in the Act or are directly contrary to the Act and our audit consciences have been stirred repeatedly and we have constantly to call attention to cases in which action has been and is being taken which cannot be justified by the Act.

167. *Mr. Roy.*—Sir Fredric Gauntlett, might I say with great respect to you that you are exposing the Central Board of Revenue to a lot of criticism. If your law was made 50 years ago, a mere amending Bill will not appeal to the Legislature. It will be regarded as piecemeal legislation.

*Sir Frederic Gauntlett.*—I am in no way responsible for the form the legislation will take.

*Mr. Roy.*—I am only mentioning it. The popular House will tell you to bring up the whole Bill and revise it thoroughly.

*Chairman.*—I am very interested to hear what you have got to say, Mr. Roy. The details need not be discussed now. All I can tell you is that it is under very active consideration now, and we will make up our minds as to what line we will take in a very few days.

#### GRANT 73.—REFUNDS.

168. *Chairman.*—We now turn to paragraph 11 of the Auditor General's letter dealing with page 12, paragraph 25 of the report. We might at the same time refer to paragraph 61 of the Auditor General's letter which refers to pages 431 to 439 of the report, Grant No. 73, Refunds. We do desire to make the enquiry suggested by the Auditor General.

*Mr. Lloyd.*—We have not yet had time to obtain detailed reports upon the points mentioned therein, but I have ascertained certain facts which have a bearing on the matter. Of course, it will be understood that the payment of a refund has to be made as soon as it is due regardless of budget considerations and it is only a question of taking as prompt action as possible in order to have the accounts rectified. In Bombay, which is mentioned here, I have ascertained that a very important judgment against us was given by the High Court of Bombay involving a large refund and that judgment was delivered on the 28th February. As I have said, I have not got the exact particulars but it seems fairly clear that the refund must have been actually paid during the month of March on a date when it was too late even with extraordinary prompt action to secure reappropriation of funds from another grant under the same head before the end of the financial year. I only mention this as an illustration. I will give another case. I have looked into the cases arising in Madras. Under Madras an excess to the extent of Rs. 65,000 is shown as uncovered. Madras actually took action in March and obtained from us a reappropriation of Rs. 60,000. The letter written to us asking for sanction I think was on the 15th March and we were able to comply with the request only just at the very end of the month.

(At this stage Mr. T. K. Rajagopalan cited a case from Bengal dealing with the same point.)

I might add that in spite of the explanations I have given, I propose to draw the attention of the Commissioners of Income-tax to the fact that they must not be misled, by the consideration that the payment has to be made regardless of budget considerations, into thinking that there is any the less urgent need to report the facts to us as soon as possible wherever it is possible to know that reappropriation is required and where it could be done before the end of the year.

*Chairman.*—I am sure the Committee will be glad to have an assurance of that kind.

169. *Sir Frederic Gauntlett.*—In pursuance of the same point I would like to mention that in several cases I have called attention to refusals on the part of the Finance Department to arrange for supplementary grants or for reappropriations. If they are applied for in March and if there be any idea that the Finance Department is going to refuse requests of that sort, it might operate to produce some such results as have been brought out here. But we shall come to that point when the Finance Department comes up and I do not want to raise it now.

*Mr. Burdon.*—I can now answer that question. 15th January is the latest date by which proposals for reappropriations and supplementary grants should normally reach the Finance Department but in special cases proposals are accepted up to the 10th March and in very exceptional cases up to the 20th March, after which no such proposals are taken into consideration. It is essential to prescribe a date in order to prevent a flood of applications on the 31st March.

*Sir Frederic Gauntlett.*—If that be retained as a permanent and general rule, I think it is obvious that large and unforeseen items of expenditure such as must arise in unusual circumstances, such as those where High Courts give judgments and it is desired to pay money under those judgments at once, that the department concerned cannot regularise.

*Chairman.*—We are up against this practical difficulty. It has got to go before the Standing Finance Committee.

*Sir Frederic Gauntlett.*—Do reappropriations go before the Standing Finance Committee?

*Mr. Lloyd.*—It is non-voted money. Might I suggest—though the Finance Department is more concerned with the point than myself—that a distinction can be drawn between refunds and other expenditure in this matter because in the case of refunds the money has to be paid and there is no arguing about it, and if it helps to get the account into better shape the Finance Department might be willing to accept applications for reappropriation right up to the 30th March.

*Mr. Burdon.*—We are willing to take exceptional cases up to the 20th March. We have got to fix a date; otherwise we will be flooded with applications on the 31st March.

*Sir Frederic Gauntlett.*—The rush of reappropriations will be worse than the rush of expenditure!

*Chairman.*—As Mr. Lloyd has pointed out, refunds are expenditure of a very special nature. There is no chance of abuse as regards them.

*Sir Frederic Gauntlett.*—I think too in a matter like this the position has altered radically with the Reforms. Now the ultimate voting authority is the Assembly and this Committee is seized with the duty of judging the manner in which financial control has been exercised during the year. Those causes did not operate before the coming of the Reforms and it does seem to me desirable that efforts should be made to regularise the position if such efforts are in fact practicable.

*Chairman.*—Would you say that as regards refunds it would be practicable to entertain applications up to the end of March.

*Mr. Burdon.*—As a matter of fact, if you allow only very exceptional cases to come up on the last day of March there is no practical difficulty provided the materials are available in the shape of a certificate from the accounting authority that funds are available for transfer and so on.

*Sir Frederic Gauntlett.*—In this particular case a further supplementary grant would have to be presented to the Assembly.

*Mr. Lloyd.*—I only made my suggestion to apply to non-voted grants.

*Chairman.*—I am only raising the question with regard to non-voted refunds which I think is a pretty small class.

*Mr. Burdon.*—There should be no difficulty in dealing with a limited class of cases of that kind in the last few days of March provided all the preliminary work has been carried out.

*Sir Frederic Gauntlett.*—I think the position has altered and it may be desirable to make greater efforts where it is deemed necessary or practicable.

*Chairman.*—The position as regards non-voted expenditure has not altered.

*Sir Frederic Gauntlett.*—Quite right. I thought you were referring to the whole question.

*Chairman.*—I think we can undertake on behalf of the Finance Department to give that matter our consideration. I take it that will satisfy the Committee.

#### GRANT 16.—CUSTOMS.

170. *Chairman.*—The next item especially referred to in the Auditor General's letter which concerns the Central Board of Revenue is paragraph 24 and that particular thing has been covered by the discussion under the case in Appendix III. Then we turn to paragraph 26, pages 49 to 53.

171. *Mr. Das.*—I wish to put a few general questions on customs. Where is the expenditure under the Bombay-Viramgam customs line?

*Mr. Lloyd.*—The Viramgam land customs line is administered by the Salt Department and the expenditure was incurred under Grant 18. I admit that is rather misleading.

*Mr. Neogy.*—What is the reason for that arrangement?



*Mr. Lloyd.*—Because the administration is in the hands of the Salt Department. It is a combined department and far the greater part of its work is on salt and it was decided by the Government of India that it would avoid unnecessary complication if they let the salt grant bear the whole of that expenditure in consideration of the fact that the customs grant bears a large amount of expenditure at the ports of Calcutta and Rangoon in connection with the subject of salt. The position as regards the Viramgam customs line was then explained to Mr. Das by the Chairman.

172. *Mr. Abdul Matin Chaudhury.*—Will you please turn to page 44, A-8 of the report. There was an original grant of Rs. 1,58,109 and a supplementary grant of Rs. 7,000. On page 46, you find under 1 A.-8, that the additional grant of Rs. 7,000 obtained from the Assembly was surrendered to Government when there was an excess expenditure.

*Mr. Lloyd.*—I think I might say that the Finance Department is in a better position to deal with it than myself.

*Mr. Burdon.*—There are two points under this. One is why was the grant given by the Assembly surrendered. This is an arrangement under which when a new item of expenditure comes forward and is sanctioned and reappropriation of the ordinary kind is not immediately available, funds to cover it are transferred from the small single reserve at the disposal of the Finance Department. Under the regular procedure we have to go to the Assembly in order to get a supplementary grant to cover the expenditure in due course. This is one of the questions which we have taken up in connection with a Civil Contingencies Fund. We have a makeshift procedure which is admittedly not perfect and we hope to replace the present rules by something better when an amendment of the Government of India Act is undertaken next time and to institute a Civil Contingencies Fund such as they have in the United Kingdom. The proposal has the authority of the Secretary of State up to the point to which I have taken you. Actually the position is that you have two grants to cover one item of expenditure and one of them has to be surrendered. Hitherto what has been done is that the grant given by the Legislative Assembly is surrendered. We were going into this matter the other day. What we ought to do is to surrender the appropriation from the reserve and we propose to follow that procedure in future.

*Sir Frederic Gauntlett.*—That would meet the technical point raised by me.

*Mr. Burdon.*—The Auditor General has raised the point, which is a consequential point, whether the reserve serves any purpose, because we have a supplementary grant from the Legislative Assembly. The answer of the Finance Department to that point is this. The real object of having a reserve is that if there is no reserve and in any individual case reappropriation cannot be managed, then the expenditure has to be financed by means of a supplementary grant which causes an excess over the total budget provision for expenditure as originally passed by the Legislative Assembly whereas in similar circumstances if there is a reserve that result need not ensue and on that ground it seems desirable to have a reserve. This is only a note which I recorded on this yesterday and the matter would be referred to the Auditor General for any further comment he wishes to make.

*Sir Frederic Gauntlett.*—It is a purely technical point. The first was the main point.

173. *Mr. Neogy.*—So far as the English practice is concerned, Mr. Burdon has referred to the analogy of the Civil Contingencies Fund. There is reference in May to the Treasury Chest Fund. Perhaps the reserve at the disposal of the Finance Department corresponds more closely to the Treasury Chest Fund. I do not know whether it does ?

*Sir Frederic Gauntlett.*—I think the direct answer to Mr. Neogy is that unfortunately the whole of our practice in India is regulated by statute and we are told that, at present, as the statute is worded, we cannot start a fund in India or work a fund in India on lines similar to those adopted in England either for the Civil Contingencies Fund or for the Treasury Chest Fund.

(Here Mr. Neogy read out from the Manual of Procedure by May.)

174. *Mr. Neogy.*—I do not know how they can manage to bring in a grant before the end of the current financial year ?

*Sir Frederic Gauntlett.*—All that I gather from the note you have read out is that England follows the practice which is already here in India. I understand May to say in that note that that should be the practice also to be followed in England with regard to expenditure originally financed from the Civil Contingencies Fund.

*Mr. Neogy.*—This refers specifically to excess grant as distinguished from supplementary grant. Supplementary grants are treated under a different section altogether.

*Sir Frederic Gauntlett.*—I think the point here is that May draws the same distinction between an excess grant and a supplementary grant which we draw in India. Another answer to your point is that the Government of India is anxious to amend the Government of India Act so as to make it possible to introduce a more practical system than can be followed at present under the existing wording of the Act and I have no doubt that when they are considering the amendment of the Act they will adopt as far as possible the English practice because Sir Basil Blackett's idea was to follow as closely as possible the Civil Contingencies Fund. He told us so at the first meeting of the Public Accounts Committee.

*Chairman.*—So far as our own procedure is concerned, we have satisfactorily dealt with it.

175. *Maulvi Abdul Matin Chaudhury.*—I see an excess of 5,607 which is explained as due to the purchase of land for housing customs staff at Vizagapatam. I want to know if this expenditure could not be foreseen when the budget was prepared ?

*Mr. Lloyd.*—I think the fact was that budget provision was made in 1926-27 but negotiations were not completed that year and so it was postponed to the next year. Of course, the fact that negotiations could not be completed in 1926-27 could not be known as early as October.

*Chairman.*—That is a satisfactory explanation.

*Sir Frederic Gauntlett.*—We do find throughout India that one of the most potent causes for differences between actual expenditure and the budget allotment is the chronic delay in land acquisition proceedings. It operates in every province and one never knows when provision has to be made. It is made either too early or too late.

#### GRANT 17.—TAXES ON INCOME.

176. *Chairman.*—We will now take up paragraph 26 of the Auditor General's letter.

*Sir Frederic Gauntlett.*—In a great many cases I have called attention to cases of over-budgeting and I and my officers have taken care to bring forward evidence to show that cases of over-budgeting are chronic, so that executive authorities may notice this point and take action to reduce the budget provision in future under those heads.

*Chairman.*—One satisfactory feature about this part of the report is that it does show a very steady improvement.

177. *Mr. Neogy.*—What is there in pay of establishments that makes it particularly susceptible to over-budgeting?

*Sir Frederic Gauntlett.*—Because there is a tendency to work out the theoretical total amount that will be paid during the year. In fact, people will always be on leave, there will be shortages. There are a number of other administrative factors which make it impossible to spend the total amount.

178. *Mr. Neogy.*—If these factors are uniform, why cannot lump reduction be made?

*Mr. Burdon.*—In dealing with this matter the other day I said that further instructions had been issued which would require accounts officers to test by the actual results of the year the accuracy of the lump cut they had suggested and when we have got two or three years' results available we ought to be able to arrive at a lump cut which will approximate very closely to results.

*Mr. Lloyd.*—We have already introduced the practice of lump cuts under pressure from this Committee.

179. *Mr. Roy.*—Who is responsible for preparing the budget in your office?

*Mr. Lloyd.*—The budget comes from heads of departments. We have no Financial Adviser.

180. *Chairman.*—We see a progressive improvement and I think the position could be regarded as satisfactory. We now take up paragraph 26—Taxes on Income.

*Sir Frederic Gauntlett.*—I called attention to persistent over-budgeting. The point here is the same.

*Mr. Lloyd.*—We have constantly been bringing the matter to the notice of heads of departments and the subject is certainly not in danger of being lost sight of.

## GRANT 18.—SALT.

181. *Chairman*.—We go on to paragraph 27—Salt.

*Sir Frederic Gauntlett*.—I would refer to clause (a) relating to the Northern India Salt Revenue. There have been very large savings.

*Mr. Lloyd*.—Speaking of the department generally, there also we have shown progressive improvement and I think the 1928-29 results will show still further improvement. In a manufacturing department all sorts of considerations must come in. Accidents in any year must upset the best calculations. This Committee knows very well extreme cases in the Opium Department where we have enormous differences owing to a crop being good or bad. In a lesser degree the same is true of salt. At the same time we do recognise there has been over-budgeting and we are constantly bringing it down. As regards the particular item "D4—Capital expenditure charged to revenue" we must admit that there has been defective budgeting on the part of the department which we shall attempt to improve. It is also due to accidental causes which could not be foreseen. One of the items is the matter of bags and the recoveries on account of the cost of bags, a thing which we cannot accurately foresee because it depends upon the course of trade. It is not susceptible of mathematical accuracy. The other items are less defensible and we are taking measures to improve the control.

182. *Kumar Ganganand Sinha*.—I would draw your attention to page 58, note (c) about the grant of compensation in advance to the Gwalior Darbar?

*Mr. Lloyd*.—That is unfortunately an important error but very slight in its nature. The Deputy Controller of Currency asked the Imperial Bank of India to remit the amount to the Darbar on the 1st of April. That being a Sunday, it could not be paid on the 1st of April. They thought it better to pay it on the 31st March instead.

183. *Mr. Neogy*.—May I draw the attention of the Committee to page 7 of the report where it is stated "It has been decided that half duty on salt payable to the Bikaner Darbar should be classified as non-votable instead of as votable." Why was it so long treated as votable?

*Mr. Lloyd*.—The position is that it is a payment governed by treaty and it has now been decided that such payments are political and therefore non-votable. Previously we took a generous view of the matter and regarded the matter as votable. We were afterwards advised that we were mistaken in that decision. The Government of India decided that it should be treated as a political matter.

*Chairman*.—So it is only rectifying a mistake?

*Mr. Lloyd*.—Yes; it is only rectifying a mistake of classification.

184. *Chairman*.—May we now pass on to Item E, page 62, Store Accounts. I take it the answer is that the subsequent experience has proved that it was unduly low.

*Mr. Lloyd*.—I do not think I can add very much to your speech of the 7th March.

*Chairman.*—I can only say that we are making every possible effort to increase the stocks of salt. We have had very bad luck this year because lot of exceptional good work was put in to get up the stocks and I think I was right in saying that about one-sixth of our accumulated stocks had been washed away.

*Mr. Lloyd.*—It would be more correct to say one-seventh of our stocks. It was 10 lakhs of maunds.

*Chairman.*—We have other plans in view for increasing the available stock of salts. We hope to get through the year without anything like the shortage of last year.

185. *Mr. Lloyd.*—Salt in India is produced in two very different ways. In the salt range and in Khewra and so forth, it is rock salt taken from the ground. In all these cases we are now paying by weight. In the other cases it is obtained by evaporation. In these cases also it is fair to say that we pay by weight although we do not actually weigh all the salt. The ordinary practice is that salt is taken in truck loads of known capacity levelled off at the top and that is regarded as a sufficiently accurate approximation to the actual weight subject to check weighments which are made. Weighments are only check weighments and payment is made by weight. In those cases we have to weigh the salt when we deliver it. It is necessary to do so because the duty is involved which is Rs. 1-4-0 a maund. The price for the manufacture of salt is only one or two annas. The cost of weighment for the sake of duty works out round about 4 pies a maund.

**Evidence taken at the fifth meeting of the Public Accounts Committee held on Wednesday, the 14th August 1929 at 11 a.m.**

**PRESENT :**

- |  |                             |
|--|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER,                                     | <i>Chairman.</i>            |
| (2) Mr. T. A. K. SHERVANI.   | } <i>Members.</i>           |
| (3) Mr. B. DAS.  |                             |
| (4) Mr. S. C. MITRA.   |                             |
| (5) KUMAR GANGANAND SINHA.   |                             |
| (6) Maulvi ABDUL MATIN CHAUDHURY.  |                             |
| (7) Mr. K. C. Neogy.   |                             |
| (8) Maulvi MOHAMMAD YAKUB.   | } <i>Were also present.</i> |
| (9) Mr. K. C. ROY.   |                             |
| (10) Sir FREDERIC GAUNTLETT, Auditor General.                            |                             |
| (11) The Hon'ble Mr. E. BURDON, Financial Secretary.                     |                             |
| (12) Mr. J. E. C. JUKES, Controller of Civil Accounts.                   |                             |
| (13) Mr. O. A. TRAVERS, Accountant General, Central Revenues.            |                             |
| (14) Mr. A. C. BADENOCH, Director of Commercial Audit.                   |                             |
| (15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department. |                             |
| (16) Mr. P. M. RAU, Audit Officer, Indian Stores Department.             |                             |
| (17) Mr. B. NEHRU, Deputy Auditor General.                               |                             |

Mr. A. H. LLOYD, Member, Central Board of Revenue, *Witness.*

186. *Sir Frederic Gauntlett.*—A question was asked yesterday whether the Experimental Office in Calcutta to deal with Customs audit had paid for itself. I refrained from making any definite statement at that time. We did obtain very careful statistics of its working during the first year and it did practically pay for itself.

*Chairman.*—What do you mean by “practically pay for itself”?

*Sir Frederic Gauntlett.*—Have you got the exact figures, Mr. Rajagopalan?

*Mr. Rajagopalan.*—I believe the papers are in your office. I remember that it nearly paid its way if account was taken not only of the immediate recoveries but of future recoveries according to the new interpretation of the rules.

*Sir Frederic Gauntlett.*—As the figures are on record, I can obtain them and hand them over to the Committee. In view of the results in the first year we have not attempted to collect figures since. What is on record I will arrange to have sent up.

GRANT 18.—*Salt.*

187. *Chairman.*—When we adjourned yesterday we were dealing with Paragraph 27, sub-paragraph (l) of the Auditor General's letter. Have you got anything to say on that remark, Mr. Lloyd ?

*Mr. Lloyd.*—That is the general question of over-budgeting which was discussed in connection with other grants yesterday. We fully recognise that there has in the past been a great deal of water in the Budget from this Department and we have for several years past now been applying more general pressure to squeeze it out. We are steadily improving in the extent to which we do squeeze it out. Of course, as I mentioned yesterday, in the case of a Department of this sort, where the problem is much more difficult than a mere question of establishment, much depends on the actual working of the year ; and there is the natural tendency on the part of Executive officers to provide the maximum that is likely to be wanted. We have to try and arrive at a good guess at something a little bit nearer the probable final results. We are constantly communicating with the head of the Department on this point and impressing our views upon them as strongly as we can, and I think that there is steady improvement and I have every reason to hope that it will continue.

188. *Chairman.*—We see that there is steady improvement in the heading "Pay of Establishment". Can you give us any indication of the figures for 1928-29 ?

*Mr. Lloyd.*—Owing to the form in which the accounts are kept I cannot separate the figures for "Pay of Establishment" from other items.

189. *Chairman.*—I do not know whether you suggest, Sir Frederic that the saving under the head "Contingencies" is unreasonably large. That is obviously a saving under a head under which there is likely to be a saving, is it not ?

*Sir Frederic Gauntlett.*—Undoubtedly, Sir. The only point is that where one finds for a series of years a continuous saving, there is a natural suggestion that the person finally responsible at headquarters for checking the preliminary estimates prepared by the Executive head of the Department may make a cut under that particular head.

*Chairman.*—Yes.

190. *Mr. Mitra.*—There has not been much of an improvement.

*Mr. Lloyd.*—I do not claim that there has been any steady improvement under "Contingencies".

*Maulvi Mohammad Yakub.*—But the item "Contingencies" is so uncertain that it is very difficult to estimate.

*Mr. Mitra.*—There may be a lump cut.

191. *Chairman.*—It is reasonable to have a saving there. What is the total budget against which it is a saving ?

*Sir Frederic Gauntlett.*—The figure shown on page 74 is Rs. 81,000 in 1927-28 and the saving is Rs. 21,000. It amounts to almost 27 per cent.

*Chairman.*—What is the total amount of the budgeted expenditure under that head in respect of which this Contingencies provision is made ?

*Mr. Lloyd.*—Our system of accounts makes it rather obscure. It is rather difficult to find this.

*Sir Frederic Gauntlett.*—The comment here is merely with regard to the expenditure in Madras which is merely one of the provinces which are grouped together in the accounts. The figures on pages 70-71 include figures for all the provinces which are mainly Madras, Bombay and Burma. This note merely deals with the figures for Madras which are not shown separately on pages 70-71.

*Chairman.*—I see it is rather difficult to answer my question. My suggestion was that when you consider the contingency item, it is not quite fair to take the percentage of saving on the actual vote for contingencies. You ought to consider what percentage that represents of the total vote under which that contingency occurs.

*Sir Frederic Gauntlett.*—Mr. Lloyd might be able to give a rough idea as to what percentage of the total expenditure in the provinces is incurred in Madras.

*Mr. Lloyd.*—I can get some figures (Mr. Lloyd offered to go and get the figures).

*Chairman.*—The point is not of very great importance. I think my suggestion is a fair one. This perhaps is not so important a subject for criticism as a percentage of saving of 26 per cent. might indicate. The contingency item itself represents a percentage of a much larger item.

*Sir Frederic Gauntlett.*—I only bring together these instances of persistent overbudgeting so that the tendency to overbudget can be kept in mind when future budget demands are being scrutinised. I do not pretend that this is important.

*Chairman.*—Would you make a special note of that, Mr. Lloyd? It is a regularly recurring saving, and the Auditor General suggests that it seems to raise a question.

*Mr. Lloyd.*—We will certainly.

192. *Chairman.*—"Page 74, paragraph 2 of Appropriation Accounts.—The instances quoted in this paragraph suggest the necessity of bringing prominently to the notice of the controlling officers the fact that no adequate control over expenditure is possible unless a careful watch is kept over commitments and liabilities."

*Sir Frederic Gauntlett.*—That is only an educative comment which is offered in every report every year somewhere or other.

*Mr. Lloyd.*—The particular case which gave rise to the remarks in paragraph 2 was an unfortunate mistake. The cost of the Viramgam Customs establishment which falls under Salt, had to be incurred in the course of the year. The head of the department found the money by re-appropriation and did not realise the necessity later in the year of watching the accounts under the particular head to see whether the re-appropriation had been necessary at all. It was a mistake which should not have been made but for which there was some excuse.

*Chairman.*—It really was a special occasion?



*Mr. Lloyd.*—Yes. He was suddenly planted with an entirely new establishment in the middle of the year.

193. *Mr. Das.*—I find that in 1928, discussions regarding this took place in the Assembly under Customs.

*Mr. Lloyd.*—It is clearly a Customs subject but actually the money was in the Budget against Salt.

*Mr. Das.*—For a long time?

*Mr. Lloyd.*—I could not remember. Before 1928 certainly.

194. *Mr. Das.*—In 1927, in the Public Accounts Committee, we discussed the Viramgam line under Customs.

*Mr. Neogy.*—The question then was whether and how far we were losing revenue under Customs. That might be relevant under Customs.

*Mr. Lloyd.*—The point is purely technical. I cannot imagine any Finance Member raising a point of order if you discuss it on a demand for grant under Customs.

195. *Mr. Neogy.*—I should like to put a general question. Is this the 3rd or 4th year when we are having commercial accounts for the N. I. S. R.?

*Mr. Lloyd.*—This is the 4th.

196. *Mr. Neogy.*—Last year Mr. Lloyd maintained that the fact that this Department has been showing loss in any particular year did not warrant the conclusion that the Department as a whole was running at a loss, and he said it would not be fair to judge results on the basis of the figures of any one particular year. He said that when we have the next year's accounts (*i.e.*, the accounts for 1927-28) we shall be able to look at the whole question with more success than in the past. I should like to have a statement from Mr. Lloyd now as to his promise last year on this particular point.

*Sir Frederic Gauntlett.*—My Director of Commercial Audit shows me the balance sheet as on the 31st March, 1928, which shows that in 1924-25 there was a profit of just under 10 lakhs; in 1925-26 there was a loss of about 3-1/3 lakhs, in 1926-27 a loss of 3½ lakhs and in 1927-28 a loss of just over 3½ lakhs. These are the figures brought together for successive years for the N. I. S. R. Department.

197. *Mr. Neogy.*—The profit of 1924-25 is counterbalanced by the recurring loss of over 3 lakhs every year during the next 3 years?

*Sir Frederic Gauntlett.*—The actual figures are Rs. 3,35,000, Rs. 3,55,000 and Rs. 3,60,000.

*Chairman.*—I should like to make a general observation here. I think that when we are talking about the N. I. S. R. Department as a commercial department and test it by the profits that it makes, we are perhaps liable to be misled. Actually, as I understand it, the policy in the past has been to let the consumer have the salt which we produce on our own works as nearly as possible at cost price and we of course make our return on the duty. I think we should be pursuing a much more useful line of enquiry, if we were to take the cost of production rather than the profit and loss which is made.

I know for example, that recently I had a file before me for settling the sale price at the various places. One did not take into account so much the possible margin of profit as what our general policy should be in regard to adjusting prices as between various sources of production and the centres of areas of consumption which they covered. We wanted to try and make a pretty even adjustment.

198. *Mr. Neogy*.—Is it not a fact that salt has for some years past been sold at below cost price ?

*Mr. Lloyd*.—That is a fact.

199. *Mr. Neogy*.—For how many years ?

*Mr. Lloyd*.—I suppose for about 3 years ; now four years.

*Sir Frederic Gauntlett*.—I quoted 4 years' figures.

*Mr. Lloyd*.—If one does not carry forward the previous profit for the benefit of the consumer, then it would be 3 years and so much of this year as has passed before we raised the prices. We raised the prices recently.

200. *Mr. Neogy*.—When were prices raised last ?

*Mr. Lloyd*.—In Sambhar, the last raising, *i.e.*, the one before this year's was in 1927, at Didwana in 1928, at Pachbadra in 1927, at Khewra, Warcha and Kalabagh in the Salt range in 1927.

201. *Sir Frederic Gauntlett*.—Are the new prices still below the cost of production as indicated in the accounts for 1927-28 ?

*Mr. Lloyd*.—That is rather difficult to answer, because the Government of India have this year decided in fixing the prices to adjust them not directly with reference to the cost of production in the particular source but so as to fit in as well as possible with the convenience of Government in the matter of supplying certain markets from certain sources so as not to divert the demand from one source to another, so that the total of the selling prices will cover the total cost price from all the sources.

202. *Sir Frederic Gauntlett*.—So far as the N. I. S. R. Department is concerned, you do aim at neither profit nor loss throughout the year on the average ?

*Mr. Lloyd*.—That is exactly what we have aimed at.

203. *Maulvi Abdul Matin Chaudhury*.—Have prices been raised this year ?

*Mr. Lloyd*.—Yes.

204. *Mr. Mitra*.—What is the rate now at Sambhar ?

*Mr. Lloyd*.—At Sambhar 5 annas.

205. *Maulvi Abdul Matin Chaudhury*.—How much in Khewra ?

*Mr. Lloyd*.—4 annas and 6 pies.

206. *Mr. Negoy*.—By how much has the average been raised then ?

*Mr. Lloyd*.—I am afraid I shall have to work it out. It means weighting all the figures with the output. It is rather difficult to work out.

207. *Mr. Roy.*—Can you tell us what are the causes which led to these losses ?

*Mr. Lloyd.*—Might we refer to increase in cost of production instead of to losses in accordance with what you said, Sir ? Take the clearest case of Khewra. The increase is largely due to the recurring increase which is attributable to the expenses of the development schemes and particularly the electrification scheme which was discussed last year.

*Mr. Roy.*—And also selling the salt below cost price ?

*Mr. Mitra.*—All the four causes are given on pages 75-76.

*Mr. Lloyd.*—There are innumerable other factors. Since the war, labour costs have increased tremendously and the value of money has changed, so that it is quite impossible to go far back.

208. *Mr. Neogy.*—Will you please turn to page 68 of the Report. There the cost is divided into Prime Cost and Overhead Charges.

Under Sambhar you find the overhead charges are about 3 times the prime cost ; at Didwana the charges are less than the prime cost ; there is nothing under Pachbhadra separately. In Khewra the overhead charges are half of prime cost ; in Pachbhadra again the charges are half the prime cost, and then in Kalabagh, the proportion is very much below ; it is a very small figure indeed as compared to the prime cost. Could you please tell us as to how these divergencies arise in regard to the proportion of overhead charges to the prime cost ?

*Mr. Lloyd.*—At Sambhar, far the largest item is “royalties and compensations.”

*Mr. Neogy.*—That applies only to Sambhar ?

*Mr. Lloyd.*—That is the only source where the item is of any importance.

*Mr. Neogy.*—What about the differences in regard to the other cases ?

*Chairman.*—The answer is fairly clear if you look at the analysis of overhead charges.

*Mr. Lloyd.*—There is one point that I should make in regard to the accounts for this particular year for Khewra ; they are misleading in that the heaviest item outside prime cost is depreciation charges, which include depreciation for 1926-27 as well as for 1927-28. I think the Audit Officer might be able to explain that.

*Sir Frederic Gauntlett.*—I think the answer really is that the Electrical Installation at Khewra was not finally settled until that time, and the actual cost of depreciation for the two years could not be calculated until then, and it was decided after the beginning of the second year to charge depreciation from a particular date.

209. *Mr. Neogy.*—Is there any means of finding out what the overhead charges, properly so called, in each case are, so that we may compare them ?

*Chairman.*—If you would look at the details given above, I think all your questions are quite clearly answered. There is one curious point. The weight charges seem to be rather exceptionally heavy in Sambhar.

*Mr. Lloyd.*—They are not disproportionately heavy considering the output.

210. *Mr. Neogy.*—How do you distribute the share of the expenditure of the Commissioner's Office ?

*Mr. Badenoch.*—Nine-tenths of the whole of the expenditure of the Commissioner's office is divided among the various sources in proportion to the revenue expenditure.

211. *Maulvi Abdul Matin Chaudhury.*—With regard to the proportion between manufacturing charges at Sambhar and Didwana, in one case it is 5 per cent. and in the other case it is different, though the method of manufacture is similar in both cases.

*Mr. Lloyd.*—The difference is due to this fact. Didwana is a very small source and we have been able to work it without any capital expenditure. At Sambhar, we had considerable difficulties ; we had to incur quite a considerable amount of expenditure in order to make that source, which is one of the main sources, for the whole country as far as possible (barring floods), a reliable source.

212. *Maulvi Abdul Matin Chaudhury.*—You have the electrification scheme ?

*Mr. Lloyd.*—The electrification scheme does not really make much difference at Sambhar.

213. *Kumar Ganganand Sinha.*—Do you think that you will be able to reduce the cost of manufacture in the long run on account of the electrification scheme at Sambhar ?

*Mr. Lloyd.*—I do not see any reason to suppose that we can hope for a further reduction in the cost. The only thing by which we can reduce the cost of production is by an increase in issues.

214. *Mr. Neogy.*—I have a recollection that last year the Auditor General said that the increase in the manufacturing charges in these two centres practically corresponded to the increase in the interest and depreciation charges due to the introduction of improved schemes. I do not know if I am correct ?

*Sir Fredric Gauntlett.*—I do not remember having made any precise statement as that. I have no recollection. It is perfectly obvious, of course, that where over a period of years you have large capital expenditure, as has been incurred at Sambhar and Khewra, once you start maintaining commercial accounts, you must represent the effect of that financially by the interest and depreciation charges and the only way of setting off those are by increasing the output. In other words, I will repeat what Mr. Lloyd has said ; here is expenditure which is inevitable ; it can only be met by increased production which would only be justified if there were increased sales. There is also another fact, a very elementary fact, and that is the introduction of mechanical means of excavation and manufacture ought to lead to a reduction of establishment.

*Mr. Neogy.*—But has it so far ?

*Mr. Lloyd.*—I think there has certainly been a reduction in labour charges at Sambhar. I might mention that we have been now examining for number of years the scheme of introducing mechanical transport at Khewra and we have made it perfectly clear that we shall not look at it until we know exactly how much economy could be effected.

215. *Mr. Neogy.*—I would draw your attention, Mr. Lloyd, to the last year's Evidence, Volume II, page 122. There you say that "it begins to appear probable that it will be really an economic proposition to substitute electrical for other transport, but we have not yet come to a final decision on the subject. If it is an economic proposition, it won't raise the cost of production". So the position stands exactly the same as it was last year?

*Mr. Lloyd.*—We are still in correspondence on that point, because we want to be absolutely certain that we are not going to increase the recurring charges by making the change.

*Chairman.*—In fact, there is no prospect of a very large saving.

*Mr. Lloyd.*—There is no very great urgency.

216. *Mr. Neogy.*—Is it not a fact that Khewra is really equipped for very much larger production than you are actually turning out?

*Mr. Lloyd.*—Yes, that is the case.

*Chairman.*—That is of course an uneconomical feature of the high interest and depreciation charges. It might interest the Committee to know that Khewra, for instance, may have quite an important bearing on this question which the Tariff Board is going to investigate. If you crush Khewra salt, it will be quite suitable for consumption in the Bengal market, but it is really a question of freight, which we are taking up now. If we could open the Bengal market for Khewra salt, it might become a very important source of supply.

There is also another aspect of the matter which the Committee might be interested to know, because it is a justification for having a larger capacity in an average year. The floods at Sambhar, as we mentioned yesterday, have resulted in the destruction of a large proportion of our stock at Sambhar. When that has happened, as you know, there will be a shortage of salt generally and if in any particular circle the shortage is somewhat great, speculators will come in and put up the prices. The cost of production is quite negligible as compared to the difference which the consumers will have to pay if the speculators come in and put up the price of salt. It is likely that in order to prevent anything of the kind happening in the area which is normally supplied from Sambhar we shall have to decide to increase the production at Khewra and land in Delhi for delivery large quantities of Khewra salt for transport to places lying to the South East of Delhi. That will have to be done at a slightly uneconomic price in the interest of the consumer.

*Mr. Roy.*—I have seen a similar statement in the last year's proceedings about the supply of Khewra salt in the Bengal market?

*Mr. Lloyd.*—We are talking now of the U. P. market.

217. *Col. Gidney.*—What is the real cause that the improved methods do not cheapen the cost of production?

*Mr. Lloyd.*—We are not yet satisfied that it is going to pay. After all, the advice given to us by the Engineers is only for consideration and we cannot entirely abide by that. There are many details which have to be scrutinised and criticised. I think the Public Accounts Committee will be prepared to agree that the engineer is not always the final arbiter of the financial aspects of an engineering scheme.

218. *Mr. Neogy.*—May I come back to what Mr. Badenoch said because it is a question of reduction in the establishment charges as a result of the introduction of the electrification scheme. Has anything been achieved in the way of economy so far as Khewra is concerned?

*Mr. Badenoch.*—In the year under review the actual manufacturing charges went up by a lakh of rupees.

*Mr. Neogy.*—Has this aspect been borne in mind?

*Mr. Lloyd.*—Yes, very carefully.

219. *Kumar Ganganand Sinha.*—We heard from Mr. Lloyd that the decrease in the cost of production would very largely depend upon the increased consumption of salt, but we find that thousands of maunds of salt are still imported into India. Can we not supplant the imported salt by the indigenous salt?

*Chairman.*—That is a question which we have just decided should be investigated by the Tariff Board.

220. *Mr. Mitra.*—We find, referring to last year's Report, that the Chairman of the Public Accounts Committee said that the Committee would be fully entitled to press Government for further action in the matter, and later on he said that if this goes on from year to year, the Public Accounts Committee would be fully entitled to examine the whole question afresh, but we find this year again that there is no chance of the cost of production going down.

*Chairman.*—We are trying as a matter of fact to use this statement of account to give us a review of the commercial results and are trying to analyse the working cost. To do that effectively we would want to have figures presented in a different way. It will be very instructive to see this sort of analysis in each case and compare them from year to year.

*Mr. Mitra.*—We think this question is very important as we have to answer questions every time. There is a strong public feeling in the matter with regard to the raising of the salt duty, and this is a fact which must be recognised.

*Chairman.*—You will realise that what we are discussing here represents a very small part of the field of salt production in India.

221. *Maulvi Abdul Matin Chaudhury.*—Can we not get this year the statement which you refer to?

*Chairman.*—I have no doubt that we can get ready for circulation to the Committee a full analysis.

*Mr. Neogy.*—Might I suggest in this connection that Mr. Lloyd might look up his evidence on these points given last year as also the year before because he will find that there were certain questions asked which he could not answer. Sir Frederic Gauntlett said we could not ascertain whether the original plant was more than necessary. Now it would be very useful if Mr. Lloyd were to look up his evidence last year and give us the necessary information.

*Chairman.*—I should like to tell the Committee that the whole question of the efficient administration of the Northern India Salt Department is a subject which I have taken up myself with Mr. Lloyd, and we had a great many discussions on it. It is not easy to alter the existing organisation quickly and one has to consider the question of the personnel and other cognate questions. I think it would be somewhat difficult to get the sort of Report for circulation to Members of the Committee this year in a reasonable time; it might probably involve a good deal of work to prepare an elaborate analysis of the cost of production and compare it with the cost at each source?

*Sir Frederic Gauntlett.*—I might state, Sir, that I have figures here, not of the detailed analysis, but of the final cost of production during the last three years. The position is complicated because up to 1927-28, Sambhar and Didwana were grouped together, whereas now they are separate; also Khewra, Warcha and Kalabagh were grouped together, and these are now separate. However, there is a statement in the annual report which was sent in to the Central Board of Revenue which gives the figures, as far as they are kept.

*Mr. Lloyd.*—It will require considerable annotations, for example, the peculiar effect of compensations at Sambhar.

222. *Mr. Neogy.*—Now, with regard to the effect of royalties and compensations upon manufacturing charges, is it not a fact that the amount of royalties and compensations varies with the quantity of salt issues?

*Mr. Lloyd.*—Only partially.

*Mr. Badenoch.*—May I say that the total amount of royalties and compensations is divided among the various heads in relation to the quantities issued.

223. *Maulvi Abdul Matin Chaudhury.*—At page 76 a reference to the causes for the increase in the cost of production is made. Can Mr. Lloyd tell us what are the causes?

*Mr. Lloyd.*—I have mentioned the reason for it in Khewra. At Pachbadra there was no increase; at Sambhar and Didwana taken together there was an increase in the manufacturing charges from 4,26,000 to 5,19,000. But in the same year there was an increase between the two of production from 49 lakhs to 68 lakhs maunds. I think the only source where the increase is really serious is at Khewra.

224. *Chairman.*—Does the Committee wish to pursue this question of getting out some sort of fuller statement? I do not want to promise too much this year, because I am sorry we all of us are very busy just at the moment and it is difficult to devote the necessary time to collect the details, so I do

not want to promise to provide a useful Report before the Committee separates but I will promise to take up the matter with Mr. Lloyd and consider how we can best place the information before the Committee in a more instructive form.

*Mr. Neogy.*—If you are going to have a memorandum of the details we may have some information as to whether the officers at Sambhar and Khewra are charged anything for the use of electricity, and if so, what does that amount to?

225. *Mr. Neogy.*—The suspicion has been all along that these electrification schemes have been influenced quite as much by the considerations of giving amenities to the officials there, as in the interests of so called economy and all that?

*Sir Frederic Gauntlett.*—Cannot those questions be buried? We have had them now for the last three years?

*Mr. Lloyd.*—I should like to take the opportunity to repudiate that suggestion.

*Chairman.*—As a matter of fact, even if that is a fact, I do not personally see that it is anything to be particularly ashamed of. Take Sambhar for instance: if we did not provide these amenities, we would probably have to make it up to the officers in some other way.

*Mr. Lloyd.*—It is unfair to suggest that the real motive power behind these schemes was the personal interest of the officers.

*Mr. Roy.*—Mr. Neogy did not suggest that.

226. *Mr. Neogy.*—At any rate this is one of the considerations that have weighed with you for not agreeing to scrap the electrification scheme. I will refer you to page 106 of Volume I of last year's Report where you say:—

“ Having thus incurred an additional capital expenditure of over 4½ lakhs and sacrificed certain services that the Government as benevolent employers cannot regard as unimportant, namely, the electric lighting and ventilation of the offices and official quarters, as well as the possibility etc., etc.”

So this certainly was one of the considerations that weighed with you in coming to the decision that, apart from other considerations, you could not go back upon this scheme?

*Mr. Lloyd.*—They weighed with us but the question was put suggesting that this was the primary consideration: I said it was one of the considerations—it does not follow from that that it is a primary or even an equally important consideration.

227. *Mr. Neogy.*—The question of principle underlying this point is this: you stated in your memorandum last year that this scheme, both at Sambhar and at Khewra, was to be considered as a national insurance against possible shortage and that it would lead to an inevitable increase in the cost of production. What I want to know and what comes certainly within the duty of the Public Accounts Committee is whether these factors were presented to the Assembly or the Standing Finance Committee when the projects were



placed before them. It is our duty to find out whether the money which has been obtained by certain representations from the Assembly has really produced that result.

*Chairman.*—As far as I am concerned I very much welcome the interest shown by this Committee and I think it will all tend to efficiency, but I am much more interested in the efficiency of the future than in unearthing a lot of things from the past : I think we ought to take more interest to see that this whole undertaking is efficiently run in the future.

228. *Mr. Neogy.*—May I remind you, Sir, respectfully, that I quite appreciate your interest as Finance Member in the future of this department : but I would request you respectfully to forget that while you are in this Chair you are not the Finance Member, and that the primary function of this Committee is to conduct a sort of post-mortem examination into the past, and so you cannot get away from the fact that we have got to do with the past and not with the future and that is why we sit here. What I want to ascertain is : were the reasons that you advanced in your memorandum last year as justifying these schemes ever put before the Assembly in justification of the grants you secured from the Assembly or the Standing Finance Committee ? You could easily look up the papers and say whether this is not an after-thought and whether this was the justification that was put forward before the Assembly. Were not statements made by responsible members of government saying that this will lead to cheapening of salt and a remarkable expansion in the manufacture of salt in India and all sorts of things ?

*Mr. Lloyd* —If those statements were made they were made so long ago by officers of another department, before the Central Board of Revenue was created and before the Finance Department had taken over the administration of this Department, that I think it is time that a decent burial was given to them. The Sambhar development scheme took place before the Reforms, I think. Some of the grants for Khewra were obtained by us, but the whole scheme had been decided upon before the Central Board of Revenue took over Salt. The primary grants in connection with Khewra, of which this electrification was one part, date right back to, I think, the first year of the Assembly's existence ; and I do not think it is really worth going into the statements that were then made to the Standing Finance Committee by another department of government.

*Sir Frederic Gauntlett.*—These things have been discussed and exactly the same questions were put.....

*Mr. Neogy.*—But no definite answers have been elicited ; that is my complaint.

229. *Mr. Mitra.*—May I refer to page 188 of last year's report, where the Chairman said : " The present Committee can express its opinion but whatever it may say will not estop a future Public Accounts Committee from further pursuing the matter ". It is quite clear that this is not estopped.

*Sir Frederic Gauntlett.*—May I read the Report itself which says :—

" Seeing that the accounts have been commercialised and that future Appropriation Accounts will show the cost price of salt at its source in accordance with the recommendation which we make

elsewhere, it will be possible for future Committees to judge how far the hopes expressed are really justified by the results and it will be open to them to suggest, if necessary, that Government should re-examine the whole situation in order to see whether any measures cannot be taken to make production more economical. In the circumstances we are of the opinion that no further action is necessary on our part at the moment."

That is, the future action of the Committee would be determined by the facts of the year and not to reopen all the questions about what was done six or seven years ago.

230. *Mr. Neogy*.—May I reply to the charge of the Auditor General about the same question being repeated every year. May I refer to page 120 of the evidence volume of last year; Mr. Chaudhury put this question to Mr. Lloyd :—

"It appears to me that every year the Central Board of Revenue are discovering new reasons. When the scheme was first introduced, it was only for the purpose of increasing output, and now we are told that it is to facilitate lighting and secure ventilation and avoid smoke."

You do not find any reply given by anybody. I really want to pin the department down to the exact reasons that were put forward before the Assembly and the Standing Finance Committee in justification of these schemes and we have not succeeded in getting any reply.

*Chairman*.—Mr. Lloyd has already pointed out that the schemes were actually initiated before his department came into existence.

*Mr. Neogy*.—I do not mind which department is going to answer this question.

*Mr. Lloyd*.—In connection with Mr. Chaudhury's question I referred to the old proceedings of the Standing Finance Committee and I find that extremely little was stated.

231. *Mr. Neogy*.—But what about the statements made on the floor of the House by the Members in charge? I want to compare the two, the justification put forward then before the Assembly and that now put before the Committee.

*Sir Frederic Gauntlett*.—May I ask Mr. Neogy whether this question was not discussed on the floor of the Assembly and a specific vote taken on the subject?

*Mr. Neogy*.—Not on this point. I asked for an inquiry into the Sambhar affair and this question casually came up.

232. *Kumar Ganganand Sinha*.—I do not quite follow Mr. Lloyd's observation: when his department was first created, was it not the duty of his department to carry out the undertakings given on the subject by the department which preceded it?

*Mr. Lloyd*.—That is rather a difficult question to answer. Of course it is our duty to conduct the department in accordance with the policy that has been laid down; but if at any time in the past a member of the Government

had expressed a hope which, as it turned out, was incapable of realisation—as for example, if it had ever been suggested that by increasing the capacity of output you would automatically increase the market and therefore increase the revenue—, we cannot compel that to happen.

*Kumar Gangananand Sinha.*—I quite sympathise with Mr. Lloyd : but what I say is this : when these statements were made by certain members of the Government, were they not made on behalf of Government and not in their personal capacity ?

*Mr. Lloyd.*—On behalf of Government.

*Mr. Mitra.*—I think we can have some idea of the reasons if we refer to page 198 of volume II of last year's report, where Mr. Lloyd says :

“ Electrification was introduced because it was necessary to find power for these very important and very powerful pumps that were to be installed in connection with the new system of turning the end of the lake into a reservoir.”

It was originally taken up for power for the two pumps and gradually the scheme was developed.

*Mr. Lloyd.*—That is as regards Sambhar : that was all settled even before the Reforms ; I would suggest that there should be some limit to the exhumation of the sins of past governments.

233. *Mr. Neogy.*—Are we then entitled to come to this conclusion, that the hopes held out by the Government in the past that these schemes would actually result in an increase of output and reduction of cost have not been realised, and in putting forward the plea that these schemes have to be looked upon as a sort of national insurance, the Central Board of Revenue is suggesting something which was never presented before the Assembly by the Government in the past ?

*Mr. Lloyd.*—That may be the case, but the Central Board of Revenue is naturally more interested in the present and in the future than in the past. They are certainly very good reasons for maintaining the works and the installation. It would be improper to say that the power house on the scale installed at Sambhar would never have been installed but for fans and lights for the officers.

*Maulvi Abdul Matin Chaudhury.*—We do not grudge those amenities : our main point is that the electrification scheme should not lead to an increase in the price of salt : that is our main point : small amenities we do not grudge.

*Mr. Lloyd.*—The course of the discussion last year was that you have this electrification scheme there and the Committee were satisfied that having got them it would be unwise and unfair to scrap them. That, as far as the C. B. R. is concerned, seems to be the main issue.

*Chairman.*—It seems to me the position is this : what this Committee is concerned with at present is the accounts for 1927-28. Mr. Neogy has raised the point and he makes the suggestion or perhaps he actually makes a charge

that the schemes for electrification at Khewra and Sambhar were badly conceived, that they were not justified at the time and that they have not produced the commercial results that were promised. The furthest that this Committee could go would be to record an opinion that the results of 1927-28 are evidence that mistakes were made when these schemes were originally framed.

*Mr. Neogy.*—And that the justification for the schemes, that is now being put forward was not placed before the Assembly when the grants were obtained.

*Chairman.*—As I said, the most that the Committee would be entitled to say—though I myself do not agree with it—would be that the reported results as shown by the accounts for 1927-28 are again evidence that these schemes have failed to achieve the object with which they were started.

*Mr. Lloyd.*—I would like to suggest that one should be careful about that, because there is no doubt whatever that, although it may be that Mr. Neogy is right in saying that unrealisable promises were made to the Assembly, what he has called the national insurance aspect of the matter was certainly, on the part of the officials responsible, the primary moving consideration, especially at Sambhar. You have only to look at the history of the case to see that that was the main reason.

*Chairman.*—I wish to repeat that I think the furthest that this Committee could go would be to say that the accounts for this year under review, 1927-28, are further evidence that the schemes were ill-conceived. I myself think that that statement would not be justified because I do not think that we have before us sufficient evidence, nor have these undertakings been working long enough for us to be able to say, looking back at the past, that it was a mistake. I have made a suggestion to the Committee which would turn all our attention to a much more valuable direction, which is that we should endeavour in future to give the Committee an opportunity to make a much more effective review of the commercial working of these various salt undertakings and it is only after that we should be justified in recording an expression of opinion such as that Mr. Neogy wants us to record. I would ask the Committee in these circumstances to refrain from committing themselves to a definite statement that the results now before us prove that the scheme was a failure. I suggest that in the report we insert a passage to the effect that an examination of the accounts of 1927-28 reinforces the recommendation made by the Committee in paragraph 17 of their report last year and that the Committee reserves further recommendations until it has had an opportunity of considering and examining a fuller report on the commercial results which is promised next year.

*Mr. Neogy.*—I have no desire to pursue the point.

234. *Mr. Das.*—Will the Tariff Board examine the cost of production of salt at Sambhar and at Khewra ?

*Chairman.*—They would do so and would also consider relevant questions such as possible economies if the scale of production was increased. The cost of production was relatively unimportant in salt: transport was really the major factor.

235. *Mr. Das.*—The discussions in this Committee for the past four or five years on this subject may be sent to the Tariff Board.

*Mr. Lloyd.*—I shall do so.

236. *Mr. Das.*—You are supplying electricity to outsiders at a loss at Sambhar.

*Mr. Lloyd.*—No. At a gain.

*Mr. Roy.*—You have made a good thing out of this Sambhar ?

237. *Mr. Mitra.*—Have the recommendations in paragraph 10 of Mr. Pitkeathly's report been acted upon ?

*Mr. Lloyd.*—We have taken action to comply with those recommendations.

238. *Mr. Mitra.*—That has not resulted in a reduction in the cost of production ?

*Mr. Lloyd.*—We have not found any more outside consumers.

239. *Maulvi Abdul Matin Chaudhury.*—With reference to Mr. Lloyd's statement that he is selling at Khewra at a profit may I draw his attention to page 119 of last year's report where you have this, "In this case the actual cost to Government is 2·873 annas per unit against which Government only receives 2·5 annas from the company".

*Mr. Lloyd.*—Will you read the last sentence of that paragraph ? "I may also note that if the supplies to Phulera and Sambhar are considered together there is no loss, but a small profit."

240. *Mr. Mitra.*—May we take it that the expectations from Mr. Pitkeathly's report in paragraph 10 have not been realised by a reduction in the cost of production. It suggested that if we adopt those recommendations there is a likelihood of a reduction in the cost of production.

*Mr. Lloyd.*—No. The reduction as a result of putting into force those recommendations which appear on page 113 could not be very considerable as compared with all the other items, but I certainly would not admit that the measures we have taken in accordance with Mr. Pitkeathly's recommendations have not resulted in any economy.

241. *Mr. Neogy.*—I am going to repeat another old question again for the reason that the question has not lost its interest because it is old. The question is, is there any intention of introducing a commercial system of accounting for the provinces of Madras, Bombay and Burma. Burma, I understand, has been directly taken over by the Central Board of Revenue.

*Sir Frederic Gauntlett.*—I am very grateful to you, Mr. Neogy, for raising that question. I think it is only right to state that we as accountants are not satisfied with the actual way in which commercial accounts are being maintained at present. The system was modified under pressure from the executive and although part of what was then cut out has been re-introduced, I cannot say as an auditor or an accountant that we are yet completely satisfied with the form in which the accounts are maintained.

*Chairman.*—Which accounts ?

*Sir Frederic Gauntlett.*—The commercial accounts of the Salt Department.

*Chairman.*—You are not referring to Mr. Neogy's point ?

*Sir Frederic Gauntlett.*—No.

*Mr. Lloyd.*—As regards Mr. Neogy's point we have not taken any measures to extend the system of commercial accounting to other sources.

242. *Mr. Neogy.*—Is there any intention on the part of the department to do so ?

*Mr. Lloyd.*—To the best of my knowledge the matter has not been under consideration lately. I do not think I can say there is any present intention of doing so.

243. *Sir Frederic Gauntlett.*—Don't you consider that the results which have been obtained from the commercialisation of the Northern India Salt Department is a justification for extension to the provinces ?

*Mr. Lloyd.*—Very probably it would be a good thing. It certainly would be a good thing to examine the desirability of extending the system to the provinces.

244. *Chairman.*—Why should there be any doubt about it ?

*Mr. Lloyd.*—The main point is of course that the bulk of the operations of the Salt Department in the provinces are not commercial at all. Outside the Northern India Salt Department we only have one large source in the Bombay Presidency at Kharagoda, a few small sources in the Madras Presidency, and a few very small sources in Burma which are Government sources and the activities of the Salt Department in those provinces are mainly concerned with preventive work, that is to say, supervision of private factories where of course the question of commercial accounts does not come in.

245. *Sir Frederic Gauntlett.*—Don't you think that an introduction at least at Kharagoda might be valuable ?

*Mr. Lloyd.*—I will certainly be prepared to have that question immediately examined again.

246. *Chairman.*—Do you confine your question to commercialising Government salt producing undertakings like Kharagoda or do you intend to go further in your suggestion ?

*Sir Frederic Gauntlett.*—I have not formulated any definite views on the subject, but I believe Mr. Rajagopalan's report has already been with the Government for some time and it deals with the subject rather thoroughly.

*Chairman.*—I am afraid I am not acquainted with that report. I find it rather difficult to understand the suggestion which goes further. I should have thought that the suggestion for introducing a proper commercial system of accounting in places like Kharagoda on the face of it is so reasonable that it ought to be undertaken at once, but I cannot see how it can go further.

*Mr. Rajagopalan.*—I do not think that my report contemplates the introduction of commercial system to other than purely Government manufacturing concerns.

*Chairman.*—Then it reduces itself to a proposal of quite a small dimension.

*Mr. Rajagopalan.*—Yes. But, of course, costing would be useful because if we get the cost of production that could be applied to judge the price at which the licensees manufacture salt. In that way it will be a useful test.

*Chairman.*—I suggest to you, Mr. Lloyd that an undertaking might be given on that subject that it will be dealt with before the Committee meets again next year.

*Mr. Lloyd.*—I will start an examination of it.

*Chairman.*—The Committee can record that the commercial system should be introduced at all other Government salt producing undertakings.

247. *Mr. Mitra.*—Are other stores accounts elsewhere in India being audited by the Auditor General now?

*Mr. Lloyd.*—Yes.

#### GRANT 19.—*Opium.*

*Chairman.*—We now turn to paragraph 28 of the Auditor General's letter which deals with pages 78 to 98 of the report, Grant No. 19, Opium.

248. *Mr. Mitra.*—We had a discussion last time as to what should be considered a new service and where the Auditor General thinks that a thing should be considered a new service the Public Accounts Committee should give its opinion either way. So I think we are called upon to give our opinion whether that should be considered a new service. Page 81 note 2.

*Mr. Lloyd.*—The question relates to the erection of a boiler and electric generating plant at Ghazipur Opium Factory. In my personal opinion it is very far from being a new service and hardly at all can it be described as even a new instrument of service. We had a boiler before. We had engines for supplying power in the workshop. The boiler was principally used for driving the engines and for supplying steam used for heating in certain processes in the factory.

*Sir Frederic Gauntlett.*—Is it replacement of a previous boiler or replacement of a form of power?

*Mr. Lloyd.*—Partly alteration of a form of power and partly replacement.

*Sir Frederic Gauntlett.*—And it only cost Rs. 20,000?

*Mr. Lloyd.*—Rs. 65,000. It was a replacement of a method of lighting. It is extremely important in the case of the Ghazipur Opium Factory in consideration of the enormous value of the contents that there should be a very efficient guarding and the perimeter of the factory enclosure has to be lit and electrification gives an improved and more efficient lighting. For those reasons I should say it can hardly be described as a new instrument of service even. It is merely a replacement.

*Sir Frederic Gauntlett.*—I think the Committee last year did accept the position that a replacement need not be considered as a new service or a new instrument of service and I think this Committee need not go too minutely into

questions as to whether it is a technical replacement or a scrapping of one form or substitution of another form. I do not think this Committee need go into questions of that character too minutely.

249. *Kumar Ganganand Sinha*.—May I refer to sub-paragraph (b) of paragraph 28 of the Auditor General's letter. It says, "The Public Accounts Committee may wish to know why the effect upon the budget of the abolition of divisions could not be foreseen".

*Mr. Lloyd*.—The reason for that is this, that the position regarding the number of divisions to be settled is reviewed after the end of the season, that is to say, after April, with a view to making arrangements for the following season which is to begin in October. As the Committee is well aware, the output of opium is an extraordinarily variable quantity and if we had in one season a very poor outturn we should at the following season make a larger settlement of land for opium than if we had had a very good outturn in the previous season. We cannot know until April at the earliest what sort of outturn we are going to have and therefore we cannot know what the next year's settlement will be. Of course, the Committee will fully agree that that being so, it would be absurd to postpone economies if we had larger outturns in the previous season, merely because we have budgeted for a settlement which included some of the divisions which we found it possible to abolish.

*Sir Frederic Gauntlett*.—I find in the explanation given by the accounts people that there was some reduction made in the budget on account of a reduction of divisions but obviously that was not carried far enough.

*Mr. Rajagopalan*.—The Pay and Accounts Officer fully foresaw the abolition of the divisions and he increased the lump sum deduction in D. 7 from Rs. 10,000 to Rs. 40,000 and the anticipated savings fully materialised. The matter was fully taken into consideration and given effect to in the lump sum deduction. There was some correspondence between the Opium Agent and the Pay and Accounts Officer and eventually the C. B. R. sided with the Pay and Accounts Officer and enforced the lump sum deduction. It is all under D. 7.

#### GRANT 84.—*Capital Outlay on Security Printing.*

*Chairman*.—I think that really sufficiently answers the questions. The next item is paragraph 75 of the Auditor General's letter dealing with the Security Printing Press. The first thing is the capital outlay on Security Printing. I understand that that has been settled. Next is the last sub-paragraph, second sentence, regarding the form of the accounts relating to the Security Printing. It is understood that the form of accounts has since been approved by the Government of India. Is there any further question to be raised about that?

250. *Mr. Das*.—You are producing stamps at less price than when you got them from England?

*Mr. Lloyd*.—Very much less.

251. *Mr. Das*.—Out of Rs. 53 lakhs of capital you have spent about Rs. 20 lakhs on buildings and 9 lakhs on machinery. A commercial firm



would not spend so much money on its buildings. Please refer to pages 624 and 625 of the report, Blance Sheet.

*Chairman.*—I do not think you can have any standard of that kind. Suppose there is a company whose business is warehousing.

*Mr. Das.*—Mr. Lloyd, you do not do warehousing ?

*Mr. Lloyd.*—We do some warehousing. We have a central stamp store which cost a lot.

*Mr. Roy.*—I have been to Nasik and I can tell you that I am quite satisfied that the amount has been usefully spent.

*Sir Frederic Gauntlett.*—I think the total assets, if you take away the personal ledger accounts and cash in hand, amount to Rs. 46 lakhs and Rs. 18 lakhs on buildings is not such a very large proportion.

*Chairman.*—Has any Member got any other questions to put to Mr. Lloyd.

252. *Mr. Lloyd.*—I do not know if the Committee is interested in the point mentioned in page 109 of the report but I think the facts there show that our decision was wise to the effect that we need not insure supplies of stamps and stationery sent from the press but carry the risk ourselves. Our losses are very small considering the many lakhs worth of stamps that were despatched.

*Kumar Ganganand Sinha.*—What is your present practice ? Do you send the stamps on the railway risk or on your own risk ?

*Mr. Lloyd.*—At our own risk. For railway risk we should have to pay a very heavy charge and we send them at our own risk and the facts here reported show that it has been a very wise decision.

*Chairman.*—Let us hope that it will continue to be a wise decision.

#### GRANT 40.—*Central Board of Revenue.*

253. *Mr. Neogy.*—I find you have not referred to Grant No. 40, the Central Board of Revenue at all, and that is a grant with which Mr. Lloyd is entrusted. I think this Committee is expected to refer to each and every head in order to be able to say that we have dealt with the audit and appropriation accounts of the Governor General in Council and we cannot omit to refer to any particular grant. There may not be any question but we ought formally to take up each grant.

*Chairman.*—I suppose there were no questions on the Auditor General's letter.

*Mr. Neogy.*—We are expected to deal with the appropriation accounts and not the Auditor General's letter.

*Chairman.*—Has anybody got any questions to ask on Grant No. 40 ?

254. *Mr. Neogy.*—Page 149—there is one voted item under the head "Pay of Officers" in which there is an excess of Rs. 831 due to the increase in the pay of the Secretary sanctioned by the Secretary of State after the budget estimate had been framed.

255. *Mr. Roy.*—Can you tell us anything about the investigation which Mr. Slattery is carrying out on your behalf about smuggling ?

*Mr. Lloyd.*—This does not relate to the accounts of 1927-28, but still I can answer it. We had a conference of representatives of excise officers in Simla in 1926 and we had considerable discussion at that conference as to whether there should be any central organisation concerned with the prevention of smuggling of dangerous drugs. There was some difference of opinion but it was agreed by all that it would be desirable to establish a central intelligence bureau. The difference of opinion arose upon the further question as to whether there should be in addition some executive central staff operating throughout India. We have been following up the point upon which there was unanimity, that is to say, the question of establishing a central intelligence bureau for dealing with dangerous drugs and in order to investigate that question and to report as to whether in practice a bureau of this kind should be established Mr. Slattery has been appointed on special duty.

*Mr. Roy.*—The lead has been given by the League of Nations ?

*Mr. Lloyd.*—I think there is no doubt that in convening the conference of 1926 we were largely influenced by our examination of the Dangerous Drugs Convention of 1925. It arose out of our examination of that convention just as the Dangerous Drugs Bill which we hope to pass this session dates back to the same thing.

256. *Mr. Neogy.*—My point has not been answered yet. Why was not this placed before the Assembly in the shape of a supplementary grant ? Was it placed before the Standing Finance Committee at all ?

*Mr. Lloyd.*—I do not recollect its having gone before the Standing Finance Committee. If I may be permitted, I will send for Mr. Sundaram who will possibly be able to explain.

257. *Mr. Neogy.*—Why was not the supplementary demand placed before the Assembly ?

*Mr. Lloyd.*—There may be some explanation which Mr. Sundaram could give in a moment.

258. *Maulvi Abdul Matin Chaudhury.*—In regard to A—Pay of Officers (Non-voted) on page 149, why was a supplementary demand (Rs. 2,000) asked for ?

*Mr. Lloyd.*—When we had to get extra money under the head of "Pay of Officers" we failed to anticipate the full extent of saving which would be available under "Allowances". We actually wanted Rs. 4,000, and we took Rs. 2,000 by reappropriation and we thought we could not get the remaining Rs. 2,000. It was a miscalculation. We did our best and consulted the Pay and Accounts Officer before taking action.

259. *Mr. Lloyd.*—With regard to this increase in the pay of the Secretary sanctioned by the Secretary of State Mr. Neogy has asked whether that was placed before the Standing Finance Committee or the Assembly.

*Mr. Sundaram.*—I do not think it was.

*Mr. Lloyd.*—Can you say why ?

*Mr. Sundaram.*—I think it was because the sanction of the Secretary of State came very late.

*Mr. Lloyd.*—I am afraid we cannot say definitely why it was not put before the Standing Finance Committee.

*Mr. Neogy.*—What about the Assembly, why was it not put before the Assembly as a supplementary demand ?

*Mr. Lloyd.*—The money was available by reappropriation.

*Mr. Neogy.*—But why could not a token vote be taken ?

*Mr. Lloyd.*—That is the question you have raised. If it had gone before the Standing Finance Committee it will be realised that a token vote would not have been necessary. The question really is why it did not go before the Standing Finance Committee and that is what we cannot answer. We have never gone before the Standing Finance Committee even when the pay of the post was originally fixed and the explanation probably is that it is a temporary post.

*Mr. Roy.*—When was it created first ?

*Mr. Lloyd.*—In April 1924.

*Mr. Neogy.*—But have you not to go before the Standing Finance Committee even in the case of temporary establishments ?

*Mr. Lloyd.*—We will look this point up and find out.

**Evidence taken at the sixth meeting of the Public Accounts Committee held on Thursday, the 15th August 1929, at 11 a.m.**

**PRESENT :**

(1) The Hon'ble Sir GEORGE SCHUSTER,	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	} <i>Members.</i>
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Sir FREDERIC GAUNTLETT, Auditor General.	} <i>Were also present.</i>
(11) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(12) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(13) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(14) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department.	
(15) Mr. P. M. RAU, Audit Officer, Indian Stores Department.	
(16) Mr. B. NEHRU, Deputy Auditor General.	
Mr. T. RYAN, Secretary, Industries and Labour Department.	} <i>Witnesses.</i>
Lt.-Colonel F. C. SHELMEKDINE, Director, Civil Aviation.	
Lt.-Colonel K. M. KIRKHOPE, Chief Controller of Stores.	
Rai Bahadur J. P. GANGULI, Under Secretary, Industries and Labour Department.	
Mr. R. R. REAKS, Assistant Chief Controller of Stores, Indian Stores Department.	

**GRANT 60.—AVIATION.**

260. *Chairman.*—We are starting with the Aviation grant. I myself have got no questions. Has any other member got any questions?

261. *Mr. Das.*—I would like to ask whether the aerodromes that we build are used solely for civil purposes or are they utilised for military purposes also?

*Colonel Shelmerdine*.—Only civil.

262. *Mr. Das*.—If the military use these aerodromes, do you charge them any rental ?

*Colonel Shelmerdine*.—No.

*Mr. Das*.—Do the military take advantage of the civil aerodromes ?

*Colonel Shelmerdine*.—They will in future. They have not done that in the past.

*Mr. Das*.—If the military use the civil aerodromes, will you charge them ?

*Colonel Shelmerdine*.—The question has not been considered. The practice in England is that machines of the Royal Air Force use all the Government aerodromes free, whether Civil or Military—that is, Government machines.

263. *Mr. Roy*.—What about foreign visitors ?

*Colonel Shelmerdine*.—They pay.

*Sir Frederic Gauntlett*.—There is one difference between India and England. In India the Army has been recognised as a semi-commercial department but I do not think that principle applies in England.

*Chairman*.—I should imagine that the amounts involved would be very small and I should think the time has not probably come to raise the question. We may get benefits from the civil point of view from the Royal Air Force which they do not charge us for. For example a machine of the Royal Air Force has just made a trial flight to Rangoon, and they often make flights of that kind, which provides valuable information for the development of civil aviation. Is that so ?

*Colonel Shelmerdine*.—Yes. They have taken me from one place to another and they have not made any charge against my funds.

264. *Mr. Neogy*.—I find there is a saving under E due to the abandonment of schemes for survey of primary Air routes. Why was that abandoned ?

*Colonel Shelmerdine*.—This budget was prepared before I took over this post and when I came here in April I found such a lot to do that I could not get away to carry out surveys till the cold weather. That accounts for the saving.

*Mr. Neogy*.—The survey has since taken place ?

*Colonel Shelmerdine*.—Yes.

265. *Kumar Ganganand Sinha*.—In the Appropriation Account of the Secretary of State in Council, regarding the mooring mast, this observation has been made : “ £30,000 of the amount paid was in respect of expenditure to be incurred after the 31st March 1928. Only 22,000 should have been paid for that and the balance held over until the next financial year.” May I know what is the reason for the discrepancy here ?

*Mr. Ryan*.—May I say this with reference to this point. I do not know whether this Committee has received a copy of a note by the India Office commenting upon this paragraph. It is more an accounting question.

*Mr. Burdon.*—The payment was made in advance as it was of the nature of a contribution work.

*Sir Frederic Gauntlett.*—I think that nothing further need be said about that. As regards the accounting point raised at the end of the Home Auditor's letter, I have written to him explaining that while I quite agree that it is the normal practice that expenditure finally incurred in England should be brought to account in England—and that is the principle underlying the demarcation between accounts in India and accounts in England, I agreed as a special case that this item should be passed on to India because it seemed to be difficult to differentiate between the expenditure on the mast and the construction of the aerodrome which was going on at the same time and I thought that any difficulties that might arise might more conveniently be solved in India. It was a departure from principle merely to meet practical difficulties that were apprehended. I presume the Home Auditor will say nothing further.

*Chairman.*—I think the explanation which we have had is satisfactory.

#### GRANT 47.—METEOROLOGY.

266. *Chairman.*—Can you give us any explanation on the Note of the Auditor General about under-budgeting?

*Mr. Ganguli.*—The explanation is that when the Budget was framed we provided a lump sum of 7 lakhs under A 6 for the transfer of the headquarters, and you will find that the total 7 lakhs including the excesses under A 3 and A 5 has not been exceeded.

*Chairman.*—We have the explanation. A 6 included Rs. 61,000 for the removal operation which accords fairly closely with the excesses under A 3 and A 5. We accept that explanation.

267. *Mr. Das.*—I should like to have some information from you. I find that in 1926-27 your expenditure was about 9 lakhs, whereas this year it is nearly 15 lakhs?

*Mr. Ganguli.*—One big item is the transfer of the headquarters from Simla to Poona. That alone comes to 7 lakhs. A greater part of this sum is non-recurring.

*Mr. Das.*—You are aware that the Inchcape Committee recommended that the functions of the Meteorological Department should be curtailed as much as possible. Could you tell us how your present expenditure compares with that when the Inchcape Committee made their recommendations?

*Mr. Ganguli.*—It has certainly increased considerably in the Meteorological Department, and the principal reason for the increase is the growth of aviation.

*Mr. Das.*—Is your expenditure on a growing scale?

*Mr. Ganguli.*—I am afraid under Meteorological Department we will require more money.

268. *Mr. Das.*—But part of the work that you do in connection with aviation is intended for the Military Department. Do you get anything out of them?

*Mr. Ganguli.*—We are concentrating more on civil aviation.

*Mr. Das.*—But sometimes you are commissioned by the Military Department to carry out certain functions for them which necessitates extra expenditure ?

*Mr. Ganguli.*—Meteorology is a public service department and not a commercial department.

*Mr. Das.*—The Inchcape Committee wanted the abolition of the Meteorological Department but we find that its expenditure is growing.

269. *Mr. Neogy.*—I suppose you have something to do with the Royal Air Force ?

*Mr. Ganguli.*—We give weather forecasts and they are utilised by the Royal Air Force and also by the Civil Aviation people.

270. *Mr. Neogy.*—You keep some staff at some stations under your control but they do the work for the Royal Air Force. Is that so ?

*Mr. Ganguli.*—The results of the work they do are available for other people also.

271. *Mr. Neogy.*—Then under H 2 the explanation given is that the “ R. A. F. Stations at Ambala and Dardani not having been opened,” “ a transfer of staff at R. A. F. Station Drigh Road to the control of Karachi office was necessary ” and so on. But then what service do they render to anybody except to the R. A. F. people ?

*Mr. Ganguli.*—Any meteorological data that they gather will be available for the use of the scientific officers at the headquarters for Air Force purposes as also for Civil Aviation purposes. They only gather statistics and telegraph results to headquarters.

*Mr. Neogy.*—Before the R. A. F. opened their Meteorological Department had you any staff at those places ?

*Mr. Ganguli.*—No.

272. *Mr. Roy.*—How do you account for so much over-budgeting in the Meteorological Department.

*Mr. Ganguli.*—You will find that under A 6 “ Works ” alone the expenditure is Rs. 1,14,000 and odd less than granted which is principally due to the delay in the progress of the works.

*Mr. Roy.*—Are you not making accurate forecasts ?

*Mr. Ganguli.*—We were more or less in the hands of the contractors, but this is not a recurring expenditure at all.

273. *Mr. Roy.*—You told Mr. Neogy that the R. A. F. people have got their own meteorologists ?

*Mr. Ganguli.*—Yes, and they are separate from ours.

*Mr. Roy.*—I suppose your researches are directed in the interest of International science ?

*Mr. Ganguli.*—Yes. All our data are available to the whole world.

274. *Kumar Ganganand Sinha*.—What was the object of your having stations at Ambala and other places ?

*Mr. Ganguli*.—It was considered desirable that at those stations some weather forecasts should be made.

*Kumar Ganganand Sinha*.—For whom ?

*Mr. Ganguli*.—Primarily for the benefit of the Air Force, no doubt, but the results are available for use to everybody.

275. *Mr. Roy*.—Does any reciprocal arrangement exist between your Civil Meteorologists and the R. A. F. Meteorologists ?

*Mr. Ganguli*.—I am afraid not, because they really have not got much to give us.

276. *Mr. Das*.—We find that the expenditure under the head Meteorology is increasing rapidly specially in connection with the work of aerial science, and that part of the increase in the expenditure is solely due to the Military Department.

*Chairman*.—I should not like to commit myself to a positive statement of that kind, but I would like to put the witness a general question. Is there anything, any service you are undertaking now which you would abandon if it was not required by the R. A. F.?

*Mr. Ganguli*.—Probably not, Sir, but I hesitate to give a definite reply in the absence of the head of the Department. I have not got enough technical knowledge to answer that.

*Chairman*.—I think the furthest we can go is to call for a Report. We have not got sufficient evidence before us. We are living in times when Aviation is developing very rapidly, and I think it would be a great mistake to regard the Inchcape recommendations as laying down an unalterable code. I gather that the increase in expenditure in respect of the Meteorological Department is very largely due to the services which are now found necessary for the development of Aviation. As far as I understand the position, the Government of India and the Legislative Assembly have accepted the principle that we should try and develop Civil Aviation.

277. *Mr. Roy*.—Can you tell me what is the Indian proportion of superior officers in the Meteorological Department ?

*Mr. Ganguli*.—It is almost entirely Indian, barring the Director General.

*Chairman*.—I think we can reach an agreement on this point if you will allow me to make a suggestion. First of all in reference to Mr. Das's remarks about the growth of expenditure on Meteorology and the Inchcape Committee's recommendations, I should like to say this, that although as responsible for the finances of the country at present I have to search everywhere for possible economies, I think it would be a very regrettable thing if India were to fall behind the rest of the world in its scientific services of this kind. We are not yet so near a desperate stage as regards our finances as not to be able to take our part in that kind of work. That is one general point. Apart from that, we have special need for development for rendering services to Civil Aviation. As



regards that, we are still in a very elementary stage. We cannot quite know what is likely to be required, and probably the relations between Meteorology and needs of Aviation are questions which are being studied now and new points are likely to be constantly arising, and therefore it is very difficult to lay down a definite programme at present. We have also to consider the fact that the information which we get is of use not only to Civil Aviation but to the Royal Air Force, and there, I think, in order to meet the point raised by Mr. Das, we should like to have a Report on the question analysing the services which are rendered to the Royal Air Force and the possible reciprocal services which the Air Force might be able to render to the study of Meteorology and the development of Civil Aviation. At the present stage, however, we should not be too meticulous about distributing charges, but I do think that this Committee, being interested in a subject which raises a very important question of principle, is entitled to ask for full information on the subject and possibly the Department may be able to help us with a sort of analytical Report which I have suggested.

*Mr. Das.*—That will satisfy me.

*Chairman.*—I hope there is general agreement that India ought to get a worthy place in scientific studies of that kind.

*Mr. Das.*—We are only jealous of unnecessary money being spent for the Military Department.

278. *Mr. Neogy.*—Did I understand you to say that the question of the abolition of the meteorological staff of the Royal Air Force is under consideration and that as a matter of fact they have no subordinate staff either apart from what you lend them?

*Mr. Ganguli.*—Yes, that is so.

#### GRANT 66.—INDIAN STORES DEPARTMENT.

279. *Chairman.*—The next item which we have to take up deals with the Indian Stores Department. I would refer to paragraph 12 of the Resolution of the 17th May 1929.

*Mr. Das.*—I am afraid, Sir, the Indian Stores Department will be able to throw very little light. The purchasing departments will be able to tell us what they are doing.

*Colonel Kirkhope.*—Once a year we address the various departments who make use of us suggesting to them to send us their demands for any particular item of stores they require, like electric bulbs, paint, electric fans, etc. We gather together all these various lots—sometimes they are very big lots—and we make consolidated contracts with a variation clause, usually 25 % up and 25 % down.

The Stores Department makes a charge of 2 % for its services. That 2 % was based on the cost of London Stores Department which by the way does not pay. We unlike the London Stores Department have to go about India to look for work. No department is actually compelled to give us orders. For instance, the Chairman's department has given us no orders for the last year from the Mints in Bombay and Calcutta. I have personally gone as far as Madras, Hyderabad, Mysore, Bangalore and other places looking for work.

280. *Mr. Roy*.—What are your practical difficulties?

*Colonel Kirkhope*.—We do not get sufficient work, we do not get sufficient support from the departments of the Government of India. The Army Department is our best customer.

*Mr. Roy*.—You don't say so in your annual report?

*Colonel Kirkhope*.—If you will look at the figures at page 32 of the annual report you will see that it is stated there that the Army Department purchase through us 1.32 crores worth of stores. The next best purchaser is the Railways which has purchased stores worth about 1 crore.

*Mr. Roy*.—Will you please read paragraph 21 of your own Report?

*Colonel Kirkhope*.—The Army Department purchases, in addition to what they purchase through us, direct, something like  $2\frac{1}{2}$  crores worth of stores. Out of that  $2\frac{1}{2}$  crores nearly half is food-stuffs which we do not want to touch, though we could certainly do it. But there is about a crore of rupees worth of goods purchased by the Director of Contracts consisting of oils, paints, cement, gunny bags and so on. If we could handle the whole of these ourselves, it will give us an additional crore worth of orders. In the matter of oils and paints, we are by far the biggest purchasers of these materials in India. Paragraph 21 relates only to engineering and miscellaneous stores. the Army buys in addition, large quantity of textiles.

281. *Mr. Roy*.—What about the military works stores?

*Colonel Kirkhope*.—We get most of the engineering requirements. Here again, I would like to tell the Committee why the stores department does not pay its way. The departments are not compelled to buy all their requirements from us. They give us selected work, they give us the most difficult work. For instance here is a specification prepared by the Delhi Public Works Department and I think it amounts to 2.62 lakhs. The labour in this is immense, but we only get 2% for the entire work of purchasing as well as erecting. The Public Works Department will itself buy road tar where the expense of purchase and inspection is very small. For the military works, we do similar work but not of so great value. We send our Inspectors all over the country to inspect these power installations and we lose money every time. Having put in a power station, the Director of Contracts supplies fuel and lubricating oil to keep it going and this supply of fuel and lubricating oil goes on for twenty years or so during which time, he purchases stores costing four or five times the original cost of the station.

282. *Mr. Das*.—You are not experts in civil engineering?

*Colonel Kirkhope*.—We can become experts in anything.

283. *Mr. Das*.—In purchasing engineering stores, where there is already a competent engineering department such as the Public Works Department at Delhi, you cannot expect to snatch a little out of them and divide up their work with your department. The Stores department was solely created to buy stores, to take over completely the railway stores and the military stores. You have gone out of that track because you are looked with suspicion by the military and the railway departments. They do not give you any orders. You want to

talk of the Mint department, the Public Works Department ; they have all got their own engineers and you cannot oust them. The Delhi Public Works Department is already buying tar.

*Colonel Kirkhope.*—On one occasion we brought a whole ship load of road tar into India and divided that ship load up between the United Provinces and the Punjab, and we thereby made an immense saving to the United Provinces and the Punjab. If we can bring in ship loads of road tar for the Public Works Department of every province, then we can make an enormous saving. We are also doing more than that. We are attempting to get road tar which is produced in India used in India. We hope to use that instead of Trinidad asphalt which some people are in favour of.

*Maulvi Mohammad Yakub.*—I do not suppose it requires any expert knowledge to purchase coal tar ?

*Colonel Kirkhope.*—We are experts in coal tar and road tar. We have a full equipment to test this at the Government Test House.

284. *Mr. Das.*—I never knew that the Stores Department have become experts in civil engineering. It is beyond the province of your department.

*Colonel Kirkhope.*—If you will come and visit our test house in Calcutta, you will find the amount of work done there of a civil engineering nature.

*Mr. Das.*—Your test house has nothing to do with the creation of the Indian stores department.

*Colonel Kirkhope.*—The fact remains that it is a part of our department.

285. *Chairman.*—May I ask this one question ? You referred to certain expensive specification ; what is it please ?

*Colonel Kirkhope.*—That refers to the turbine generator set for the New Delhi power station.

*Chairman.*—Was it subject two per cent charge ? Have you ever considered the question of introducing a sliding scale ?

*Colonel Kirkhope.*—We have considered a sliding scale. We have considered the question of reducing our charges and other things, but reducing our charges will mean our losing more money and a sliding scale will mean a tremendous addition to our audit expenses and we do not think it is worth it particularly as we are now considered to be a non-commercial body. Under the circumstances, it is not worth while incurring excessive audit expenditure.

*Chairman.*—You seem to be engaged in commercial operations and under the present system, because you have a uniform charge, you suffer from a sort of survival of the unfittest. You now get all the difficult work.

*Colonel Kirkhope.*—We get all the difficult work much of which is not paying.

286. *Mr. Neogy.*—You were referring to the railways.

*Colonel Kirkhope.*—Railways have been coming to us for small amounts up till last year when we entered into the arrangement with the railways

whereby purchases up to  $1\frac{3}{4}$  crores should be charged for at one per cent. and the balance of 25 lakhs up to two crores should be charged for at  $\frac{3}{4}$  per cent; above two crores, it should come down to  $\frac{1}{2}$  per cent. Since then we have had considerably more support. That arrangement was made about the middle of August last year and naturally it took some time to filter down to the various railways, and for them to get busy. We had lost all the contracts that had been made that year—they usually make contracts somewhere about January for the following year. Anyhow the result was that from 76 lakhs of 1927-28, we actually executed orders last year for just over a crore of rupees, which is about 25 lakhs better, our best previous year having been 75 lakhs. We have been steadily rising in railway purchases as you will see from the report that I have given you. We purchased 42 lakhs in 1925-26, 75 lakhs in 1926-27, 76 lakhs in 1927-28 and last year a crore and forty thousand. But we actually got business which we could not entirely execute within the year to the extent of  $1\frac{1}{4}$  crores, that is roughly for 48 lakhs more. We were expecting to get  $1\frac{3}{4}$  crores or thereabouts, but I do not think we are going to get it. I am going to give reasons for asking for more from Railways which I might explain later on. Now the railways themselves buy in the country stores worth about 8 crores which are not peculiarly Railway Stores.

*Mr. Neogy.*—You mean the Company-managed as well as the State-managed railways?

*Colonel Kirkhope.*—Total about 8 crores. The railways are the only people whom we can look to at present to make the Stores Department self-supporting. They are the only people who buy enough to keep a department such as we are going.

*Mr. Das.*—That was the whole basic idea in 1921 when the Stores Department was started.

287. *Mr. Roy.*—If the railways do not buy sufficiently from you, you do not hope to pay your own way?

*Colonel Kirkhope.*—We never hope to. The railways are the only people who buy sufficient in the country to enable us pay our way.

288. *Mr. Roy.*—You have indications that they will progressively give higher orders?

*Colonel Kirkhope.*—Yes, and then we hope to be more self-supporting.

289. *Mr. Das.*—I suppose you are aware that Sir Arthur Dickinson's committee recommended that every railway should have its own Chief Controller of Stores and that the Stores Department should be reorganised. Have you taken note of that? How do these recommendations of Sir Arthur Dickinson affect your department?

*Colonel Kirkhope.*—I do not think they affect our department very much. I have been many years on railways, I have been head of department on two railways and on the railway as a deputy head. One of the chief problems of railways is the distribution of stores. The chief problem with the railway store keeper is the distribution of stores and to keep stores ready for every purpose but never in excess quantities.

*Mr. Das.*—But Sir Arthur Dickinson did not say that

*Colonel Kirkhope.*—That is my own view of the matter.

*Chairman.*—Let the Colonel develop his arguments. We will see what he was leading up to.

*Colonel Kirkhope.*—My argument in brief is this, that the railway store keeper has as much work as he can do in carrying out the purchase of local supplies and in keeping the supplies that he has got which may come from the Director General of Stores or from anywhere else and keeping these things up to date, and seeing that he has not too much in stock and also that he has always ready in stock the stores for any vehicle or machine which may break down at any time. I visualise that the store keeper's job is his most difficult job. His simplest job is the purchase of stores. Although the Railway Board have decided that practically every railway should have a store keeper of qualifications superior to the old type of store keeper, yet it does not appear they want to take from us this 1·75 crores which they promised.

290. *Mr. Das.*—What is the total store purchase for railways?

*Colonel Kirkhope.*—Eight crores in India on general stores not peculiar in any way to Railways.

291. *Mr. Das.*—You are also purchasing from England?

*Colonel Kirkhope.*—Yes.

292. *Mr. Das.*—The local purchase of railways comes to 18 to 20 crores. If you can satisfy them you can easily get orders from 8 to 10 crores.

*Mr. Mitra.*—I think it will be better if the witness is allowed to state his whole case and then we enquire him on the various points we want to.

*Colonel Kirkhope.*—I was saying that the railways purchase about 8 crores and I think that there is considerable scope for us to cut into that. If we get about 4 crores more from the railways, then we would be reaching stability. I do not think it is too much to ask also for a crore more from the Army.

Another of our small purchasers is the Director General of Posts and Telegraphs. He has come to us for certain stores, mostly clothing for the postal and telegraph staff and so on amounting to about 10 lakhs last year. This year, I have been constantly in touch with Mr. Rogers. He has taken a very sympathetic view of the matter and he has given departmental orders that all his purchases should be made through us. Already during the four months of this year, we have had orders from him to the extent of over 15 lakhs, as against 10 lakhs in a whole year hitherto. This week alone, which I have not taken into consideration, we have placed orders amounting to as much as 7½ lakhs, which is nearly as much as we placed in any previous year of our experience.

293. *Chairman.*—What was that?

*Colonel Kirkhope.*—Copper wire for telegraphs. We have placed an order in India for copper wire manufactured here and we keep the whole of the money in the country.

294. *Mr. Das.*—Don't you think your department is meant for that ?

*Colonel Kirkhope.*—It is and I am showing it is fulfilling its purpose.

295. *Mr. Roy.*—What about other telegraph stores ?

*Colonel Kirkhope.*—All the telegraph stores will come to us under the arrangement that we have recently concluded with Mr. Rogers. He purchases about 39 lakhs in India and about 12 lakhs out of India. So I expect to get from him an addition of about 39 lakhs and after we have done that, there will be nothing more to get from him, or very little more from him until the rupee tender comes in. Then of course 12 lakhs which has gone home will be placed in India.

296. *Chairman.*—I take it that if the tarred roads develop more and more, then the whole tar required in India will be got through you by the Road Board ?

*Colonel Kirkhope.*—I hope so. It might be a very excellent thing if all the tar was purchased through us. Then, we would develop the test house to a greater extent than we have done hitherto. We have considered putting down in the test house, for instance, a model road section, just as in the National Physical laboratory and we would try to find out there the best kind of tar for roadwork. Then, we might not have to import Trinidad bitumen. We might find the residual bitumen from Burma mixed with tar or oil would do just as well,

297. *Mr. Roy.*—What about the major local governments ?

*Colonel Kirkhope.*—Some of the major local governments have been very good indeed. I indicated that the United Provinces and the Punjab have bought a large quantity of road tar from us. The Bombay Government has been extremely good. They have given us over 42 lakhs a year regularly. The Punjab has also been very good indeed. Some of the other provinces have not used us to anything like the same extent.

*Chairman.*—On the figures you gave us the provinces seem to come in second in the place of importance after the railways.

*Colonel Kirkhope.*—If you like you can put it down on an average as 30 lakhs and multiply it by the number of provinces but they are not bound by the stores rules of the Government of India.

298. *Sir Frederic Gauntlett.*—Are not the Bombay figures largely due to the Sukkur Barrage ?

*Colonel Kirkhope.*—Yes, they are but there are also other departments which come largely to us. They are giving us very extensive business, apart from the Lloyd Barrage, although it is the biggest item.

*Sir Frederic Gauntlett.*—You cannot quite regard the present Punjab figures or the present Bombay figures as normal ?

*Colonel Kirkhope.*—That is why we want to get on to purchase not on capital expenditure but on revenue. I want for instance to avoid a set back not to buy an oil engine for Razmak, but I want to buy the oil that that engine is going to use for twenty years.

299. *Mr. Das.*—Do the Bombay and Calcutta Corporation purchase through you ?

*Colonel Kirkhope.*—No, they do not.

300. *Mr. Roy.*—Do the Government of Bihar and Orissa or Assam purchase anything from you ?

*Colonel Kirkhope.*—The Government of Bihar and Orissa buys very little and so does Assam. Madras is also a small buyer.

301. *Mr. Roy.*—What about the minor provinces under the Government of India, such as Ajmer Merwara and Coorg ?

*Colonel Kirkhope.*—They come to us for a certain amount of stuff.

302. *Mr. Roy.*—No orders from the Mint, the Security Printing and the Northern Salt Revenue department ?

*Colonel Kirkhope.*—The Northern India Salt Revenue gives a good amount. The Security Printing uses us fairly well. We buy packing cases and other things. The Bombay Mint has hardly used us. The Calcutta Mint has come to us for machinery ; but I want oil for the machinery, I want belting for the machinery. I want to buy copper and nickel. If we get orders for copper, we can purchase copper from the Indian market.

303. *Mr. Roy.*—What about civil works under the Government of India ?

*Colonel Kirkhope.*—We buy for civil works under the Government of India. I believe only odd items go past us. The amount is something like 50 lakhs. That is very small.

*Mr. Roy.*—You had also got support from the Delhi province ?

*Colonel Kirkhope.*—I may say we have had very good support, but I want more. I want tar. I am not satisfied with the complicated machines that we are asked to purchase. We did the original power house and the domes for the Legislative Assembly.

304. *Mr. Roy.*—You feel quite optimistic about the future. That is the major point.

*Colonel Kirkhope.*—It depends entirely upon what the railways will do.

*Mr. Roy.*—You seem to get on very well with the railways. I see from the report that there is a set back only from the army.

305. *Chairman.*—Have you completed your general account ? We do not want to interrupt you in your general account.

*Colonel Kirkhope.*—I think I have said all and in brief we must get more business of a certain character before we can pay.

306. *Mr. Roy.*—Can you indicate how best the Committee can assist you in getting more business ?

*Colonel Kirkhope.*—I think the Chairman of the Committee might himself give an order that his mints must come to us. Having done that, once he gets his own department tied down by an order to come to us, he can more readily go to other departments and say that they also should come to us. It seems to be an act of want of faith in us, if the department that fathers us will not give its

own children orders to come to us. That I think would help to put the matter right.

*Chairman.*—I will look into the main question and justify the faith there is.

307. *Maulvi Mohammad Yakub.*—You are getting from the military who are the biggest purchasers ?

*Colonel Kirkhope.*—We get rather more than a third of our total purchases from them and more than half of what I think they could give us.

308. *Maulvi Mohammad Yakub.*—What is the reason for their not giving all their orders through you ?

*Colonel Kirkhope.*—One of the chief reasons is our departmental charge. I have spoken to General Atkinson, who says the Principal Staff Officers ask what it costs him to buy and when they find that his cost is about  $\frac{3}{4}$  per cent and ours 1 per cent, they tell him to carry on.

309. *Maulvi Mohammad Yakub.*—Does it mean that if any department does not purchase through you, it has to pay less than what it would if it placed orders through you.

*Colonel Kirkhope.*—Well, that is a moot point. They have to have the necessary organisation.

*Maulvi Mohammad Yakub.*—That is the real point.

*Colonel Kirkhope.*—I think the cost on the military side is about .75 and their inspection costs 3.75. We cannot purchase at .75 cost with these selective purchases that we get.

*Maulvi Mohammad Yakub.*—If you get more orders for tar and all other things, it will become cheaper.

*Colonel Kirkhope.*—Yes, I should be quite prepared to say that when the stores department purchases reach 5 crores our charge for purchases will come down to  $\frac{3}{4}$  per cent if purchase is not selective.

310. *Chairman.*—There is one very important point. The point is that although it might possibly be cheaper for the Army considered by itself to make certain purchases direct, nevertheless if the army, by its purchase through your department would bring far greater benefit to the Government of India as a whole than any possible saving the Army can effect—if you can establish that point, then I think it is a matter for the Government of India to take up because our policy ought to be directed by the advantage of India as a whole. That is a point which you can note.

*Colonel Kirkhope.*—I have answered that point to a certain extent and I can further establish it.

*Chairman.*—I do not want any answer now. You can note that point.

311. *Mr. Roy.*—Assuming that you reduce your charge, do you expect that you will get all the orders from the Army and the Railways ?

*Colonel Kirkhope.*—Of course it will help. The Army at present is one of our best purchasers.



*Mr. Roy*.—They are jealous of their own purchases.

*Colonel Kirkhope*.—We are at present fighting against vested interests. There is no doubt about that.

312. *Mr. Roy*.—What is the effect on Indian industries of centralised purchases?

*Colonel Kirkhope*.—I should not like to say that the centralised purchases affect Indian industries very greatly, but the Indian Stores Department does affect Indian industries very greatly indeed and the effect is chiefly brought about through our inspecting officers and our various technical experts. In our Administration Report is a photograph of part of the bearings of the Bally bridge. The Bally bridge is a bridge of which the spans weigh twice as much as the Sara Bridge. It is the biggest bridge ever built for India and this is actually being built in India and the cost of the girders alone is about Rs. 49 lakhs. But for the existence of the Indian Stores Department and their inspectors I maintain that that work could not have been done in India.

313. *Chairman*.—Will you please explain your statement that but for the existence of the Indian Stores Department and its inspectors that work could not have been done in India?

*Colonel Kirkhope*.—I must qualify that to some extent. Before the existence of the Indian Stores Department, the Railway Department had inspectors of its own who did inspection of wagons and so on. When we were constituted in 1922 we took over all these inspectors and we have increased the number considerably. We have devoted ourselves constantly to improvement of manufacture of railway material in engineering and other works in India; and we have now got a certain number of works in Bombay, Calcutta, Karachi, which can turn out first class engineering work through the expert help we can give them.

*Chairman*.—That could have been done by the Railway Department with their own inspectors.

*Colonel Kirkhope*.—The railway inspectors are limited in their scope; the railway had not specifically laid on them the development of industries in India, whereas we have.

*Chairman*.—It might have been so equally. As regards this kind of bridge building work no other authority in India has that except the Railways.

*Colonel Kirkhope*.—I admit that, Sir. But we have been the selected instruments. If they had been, they might have done as well.

*Chairman*.—That rather weakens your original statement.

*Colonel Kirkhope*.—I will go back on that and say that but for a similar organisation the work could not have been done in India.

*Sir Frederic Gauntlett*.—Have't the railways touched the activities you have touched?

*Colonel Kirkhope*.—They did not.

314. *Mr. Das.*—How many lakhs of bridge work have you executed as compared with railways ?

*Colonel Kirkhope.*—When it comes to buying bridge work, we do practically nothing. We do a little, but relatively speaking as compared with the railways, none. But we do the whole of the inspection of bridge work for railways.

315. *Mr. Das.*—About the assistance given by the Indian Stores Department to Indian industries, Mr. Pitkeathly once before told us that he would draw up each year a statement showing how far Indian industries were being helped. Have you done anything on that ?

*Colonel Kirkhope.*—To some extent we have. In our Administration Report this year, Chapter VI, we have touched on the matter and we have published from time to time little booklets on the subject.

316. *Mr. Das.*—What is the percentage of purchase of articles of Indian origin and non-Indian origin ?

*Colonel Kirkhope.*—That is given in the Administration Report. 98 per cent. of our total textile purchase was of Indian origin. 25 per cent. of Engineering stores.

317. *Mr. Das.*—Can you say, Colonel Kirkhope, that your Department is assisting the Indian Cotton Industry ? I would like to know how your Department is developing and helping existing and new Indian industries ?

*Colonel Kirkhope.*—I was going on about this bridge. The first thing we did in the matter of steel castings for bridge bearings was to examine the specification drawn up by the Railway Board for the steel. We found that that particular specification would not permit of Indian pig iron being used in making steel castings. We went to the Railway Board and we suggested an alteration in the specification which increased the sulphur and phosphorus in the steel without affecting the strength detrimentally. We got them to change the specification with the result that any bearing for a bridge, of cast steel, can now be cast in India from Indian material entirely. Before that if the material was cast in India, raw material would have to be imported.

318. *Mr. Das.*—I would like to ask about other industries. What other Indian industries have you helped and developed during your existence of seven years ? Mr. Pitkeathly gave us an assurance that such a statement would be published and included in the annual report.

*Colonel Kirkhope.*—I do not recollect any assurance in that form.

*Mr. Das.*—That is one of the chief functions of your Department. Your auditor has given a certificate somewhere about it.

319. *Mr. Neogy.*—May I draw your attention to a recommendation which was made by the Public Accounts Committee dealing with the accounts of 1925-26 ? You will find in paragraph 22 that it is laid down that in so far as some of the activities of the Indian Stores are admittedly of a non-remunerative character dealing with the development of Indian industries, the accounts should be separated so as to show how much of the cost is due to this particular

part of your work and how much strictly to the commercial portion of your work. But instead of anything being done on those lines although there is a specific recommendation of the Public Accounts Committee, we find as a substitute a certificate from the audit officer saying that the net loss shown in this connection—page 313 of the present report—must not be regarded as a dead loss since considerable assistance to and encouragement of Indian industries is given by the Stores Department both directly by way of advice to manufacturers and by assisting them to find markets for their products, although the cost of these services cannot be segregated from the cost of the ordinary work of the Department. Do I understand that this is a considered judgment on the recommendation of the Public Accounts Committee made two years ago ?

*Colonel Kirkhope.*—It could not be done with any degree of accuracy. It is a matter of administration and the Industries and Labour Department have not issued orders on the subject but from what I have seen of the draft orders, they propose to say it could not be done on account of the heavy cost.

*Mr. Neogy.*—And yet I find that this question is shown as being under consideration in consultation with the audit office ?

*Colonel Kirkhope.*—It is under consideration.

320. *Mr. Neogy.*—May I tell you also that before the Committee, when dealing with the accounts of the year 1925-26, Mr. Pitkeathly gave us an idea as to what this particular figure would come to ? It was Rs. 1 to 2 lakhs ; or about 5 per cent. Judging from the present loss of Rs. 5 lakhs and odd, if you are to accept Mr. Pitkeathly's figure, you can take credit for a lakh or so out of this loss as representing the value of intangible services to the cause of the development of Indian industries. Do you accept that position ?

*Mr. Ganguly.*—After very careful consideration we find that the figure was absolutely imaginary. We could put no value whatever on it. Taking the figure for 1926-27, we find Rs. 1 lakh and odd, as if it had been mathematically calculated. The whole thing is pure fiction.

321. *Mr. Neogy.*—I should like to know what definite facts the audit officer had before himself before coming to this conclusion ?

*Sir Frederic Gauntlett.*—I think the answer is that he had the assurance of the Indian Stores Department.

*Mr. Mohan Rao.*—The sentence was put under the orders of the Government of India, Industries and Labour Department. They told us that they had consulted the Finance Department and the Finance Department agreed to this proposal. It was quite impossible to separate the non-commercial and commercial functions. It was absolutely impossible to put a money value on the help rendered by the Department to various industries and the figures shown in 1927 were purely imaginary.

*Mr. Neogy.*—Therefore it is shown in the list of pending questions ?

*Colonel Kirkhope.*—It is under consideration.

322. *Mr. Neogy.*—Can the Executive Government instruct the audit officer as to what he should say in his audit report ?

*Sir Frederic Gauntlett.*—I think the answer to that is that technically the Local Government or the Government of India cannot instruct the Auditor General as to what he should say in the report, but I am satisfied that it is impossible, without a very considerable extension of accounting system, to arrive at any figure which would in any way be an approximation to what might be regarded as the indirect benefits. Indirect benefits are almost incapable of calculation. I should be very dissatisfied with any figure that I could put before you ; and it is from that point of view that I accepted the suggestion and the best thing that could be done was to add a statement like that. That statement represents the view of the Government of India which I accept.

*Mr. Neogy.*—This practically embodies the judgment of the Executive Government fathered by the audit officer ?

*Sir Frederic Gauntlett.*—No. The whole matter was considered in detail between the head of the Stores Department and the Accounts Officer. He sits in the same room. He has all the material before him and the two of them agreed as to the line of recommendation to the Government of India and the Government of India accepted the view and I also accepted it.

*Mr. Neogy.*—It is a very legitimate propaganda. But what I was saying was whether this is the right place for carrying on this propaganda on behalf of this Department. It might have been left to this Committee.

*Sir Frederic Gauntlett.*—I am quite prepared to say that the Government of India is of that opinion, but if I were to say that it would look as though I did not accept it, whereas in fact I do accept. I am prepared to take the full responsibility for that statement. It is perfectly true that I have not studied the papers in great detail to see exactly what particular benefits are given to Indian industries, but I think my officer, who has access to all the papers, has studied and I accept his general statement.

323. *Mr. Neogy.*—What are the facts which your officer had before him to justify the conclusion ? Can we have the facts placed before him ?

*Sir Frederic Gauntlett.*—The witness is Colonel Kirkhope, and not myself or my assistant.

*Mr. Neogy.*—We are entitled to have an answer from the officer who is responsible for it, particularly if he is present here ?

324. *Mr. Das.*—The Indian Stores Department was created in order that Indian industries might be developed. If it exists only to purchase a few articles, and if the audit officer thinks that its primary function is not to patronise and develop Indian industries, then the very existence of this Department is not necessary and we have to challenge it.

*Mr. Ganguly.*—That was not the only object. The primary object was also the economical purchase of stores.

325. *Mr. Neogy*.—This Department is showing a recurring loss. One justification is that although the Department may not be self-supporting, they are at the same time helping Indian industries. Let us find out as to how far that is justifiable.

*Chairman*.—I want to concentrate on that.

*Colonel Kirkhope*.—I will go back to my steel castings once more.

326. *Mr. Mitra*.—May I know whether any attempt has been made to separate the accounts of the non-commercial activities of this Department?

*Chairman*.—We have heard that it has been found impossible.

*Colonel Kirkhope*.—I said that we had altered the specification of steel so that the steel could be made in India, that means that every bearing of every bridge that is made of steel can now be made in India. That is a great step.

327. *Mr. Roy*.—If you had not intervened the orders for these girders would have gone to England?

*Colonel Kirkhope*.—I will give an answer with reference to steel castings. When this order was given by the Railway Board to Braithwaite and Company for the Bally bridge, we exercised a function which is laid on us. We went through the schedule of materials which Braithwaite and Company wanted to bring out from England and among them we saw steel castings; and we told them that they must not bring these out from England. They accepted our suggestion and we had actually made in India the biggest steel castings that ever have been made in India. They weigh  $6\frac{1}{2}$  tons finished. But for our intervention these steel castings would have gone to England or Belgium or somewhere else outside India.

328. *Mr. Das*.—What is the total value of the castings?

*Colonel Kirkhope*.—I have not got the exact figure. There are 7 spans and each span has got 4 castings; there are 28 castings—and there were 2 portions of the castings—each weighing about 12 tons, or 12 multiplied by 28. If you take a casting at Rs. 18 a cwt. you will probably get the answer.

329. *Maulvi Mohammad Yakub*.—Any other instance of your achieving like this?

*Colonel Kirkhope*.—I can give you plenty of instances. When I was down in Calcutta discussing this very question of castings last March, I suggested that the same works should develop further and make a certain part of the draw gear of wagons. There are about 200,000 wagons in India and each of them has two draw doors. They were afraid of this work, because they had to stand up to a proof test of 100 tons. However, I suggested that they should go on and my local Officer persuaded them to go on. I have just returned from Tatanagar and I have seen in the railway workshops there these steel castings made by this firm and they are standing up to the 100 tons test. At the same time I also went through the orders that the railway workshops had placed for steel castings for wagons and I found that out of about 30 items 28 have been placed in India.

330. *Maulvi Mohammad Yakub*.—Any other material except iron and steel ?

*Colonel Kirkhope*.—Paints, oils. Last year, we bought about  $11\frac{1}{2}$  lakhs worth of axle oil. (My figures are approximate.) Some years ago we drew up a specification for axle oil which could be used throughout the year. Up to that time railways had been using a certain class of axle oil, a thin one in the winter and in the summer they used a thick one, which meant that they had to keep two classes of tanks and there was a tremendous lot of duplication. We drew up a specification for all weather oil and last year we found that the Attock Oil Company could meet that specification, with the result that we placed a contract for about  $9\frac{1}{2}$  lakhs with them, for oil produced by them, and it is used on the N. W., G. I. P. and East Indian Railways—the three big State railways. We bought imported oil for the fourth railway at a cheaper rate, but we bought it from an Indian constituted firm—the Burma Shell.

There are also many other things. In the matter of cables, electric cables, here is the advertisement of the Indian Cable Company. With every kind of cable they send out of their shops they attach a label which is a certificate from us to the effect that that cable is made to a certain standard. Every cable that goes through the workshop passes through our hands and it is signed by one of our officers. We hold that that is a great aid to Indian industry.

About electric fans, there is a fan known in Calcutta as the “India” fan. We took that up several years ago and we developed that fan until it has become a first class fan. But unfortunately the importers have also, seeing this fan was good, come into line and are putting on the market a fan that is 5 per cent. more efficient.

331. *Maulvi Mohammad Yakub*.—What is the difference in price ?

*Colonel Kirkhope*.—The Indian fan costs Rs. 104-6-0 and the imported fan Rs. 104 nett. But the imported fan is more efficient now. In Calcutta the other day I spent a whole day in going into the matter of these India fans with the manufacturers, and we carried out the tests in our test houses. We bought on an average about 50 of these fans per month last year. But for our work I think that fan would not be in the position that it is in to-day. Whether it will survive or not I do not know.

332. *Mr. Das*.—What will be the percentage of fans bought in India to the total purchases ?

*Colonel Kirkhope*.—We buy 6,000 fans A. C. and rather less of D. C. fans. My advice to the “India” fan people was this. “If you want to produce fans in India you must produce A. C. fans. The Punjab and the United Provinces are going in for A. C. If you do not produce A. C. fans, your sale must remain low.” Also I said that they must produce three types of fans, one which will deliver a small amount of air, one a medium amount of air and one which will deliver a large amount of air and I have the figure necessary in each case.

333. *Kumar Ganganand Sinha*.—Are the Government of India purchasing India fans ?

*Colonel Kirkhope.*—We bought 50 per month last year. We have to remember that they have only one variety and we purchase about 6 or 8 varieties.

334. *Kumar Ganganand Sinha.*—Has the certificate you grant to the cable company increased their purchases?

*Colonel Kirkhope.*—If they did not believe it aided the sales, we would not give the certificate. Surely it stands to reason that a man will prefer to buy a thing with a certificate of a highly technical officer than a thing having no certificate. I presume that you yourself would buy a well known, say, cycle, with B. S. A. mark rather than a cycle that had no mark.

335. *Mr. Mitra.*—Is it a fact that you are getting gradually larger orders every year at least for the last 3 or 4 years?

*Colonel Kirkhope.*—In some respects we are getting much larger orders. I have shown in my administration report how our orders have increased. Unfortunately the prices have dropped. That is why we buy far more of certain things, but we are getting less money because the price has decreased.

*Mr. Mitra.*—You have got larger orders this year than last year?

*Colonel Kirkhope.*—I have given the figures in the administration report. If you look at page 8 you will see the result.

336. *Mr. Mitra.*—I find from your evidence last year that each year we are losing more and more. Last year we lost 2 lakhs and odd. This year it is Rs. 5,76,000.

*Colonel Kirkhope.*—We are improving our position. You must remember that our expenses are going up as well as our loss but our expenditure is increasing less rapidly than our revenue.

337. *Mr. Mitra.*—Do you expect to have better results when you get more orders?

*Colonel Kirkhope.*—Well, the expenses will grow and the losses will be less. I may say that last year one of my branches alone purchased in one month 26 lakhs more than was ever purchased before in any one month. That shows the capability of expansion. It all depends on the material we are handling. For instance if I get tar from every province in India I would make just one contract and that would pay.

*Chairman.*—I think Colonel Kirkhope has made that position quite clear at the beginning. He has told us definitely, first of all, that if he does not get the bulk of the railway orders he cannot make the department pay. He has told us secondly that if the departments that deal with improvement only give him the most difficult orders to place he would find it very difficult to make the department pay. The question is, is it worth while for the Government of India as a matter of policy to put pressure on the departments to meet these two requirements?

*Sir Frederic Gauntlett.*—I may point out, Sir, that there is one section alone of his organisation which pays at present and that is the Metallurgical Inspection Department.

*Colonel Kirkhope.*—There are other sections that pay. The Calcutta Inspection circle would have paid last year but for the strikes. The strikes hit us very badly, to the extent of about 4 lakhs. We have made in Calcutta a profit of about 3 per cent. On the inspection side as a whole we lose 12½ per cent. per annum; on the purchase side on the whole we lose 48 per cent.; on the Indian Stores Department as a whole we lose 25·6 per cent.

*Chairman.*—Well, I should like to have a clear statement of the case for the attack and I should like to have definite questions on that point.

338. *Mr. Das.*—Before I come to that I want to raise one point on which Mr. Pitkeathly while giving evidence before this Committee in 1925-26 laid particular stress.

(Reads) “One has got to keep in mind the fact that the object of establishing the department was to assist Indian industries”

and later on he said

“Owing to the backward state of some of the industries in India we have to do a great deal of educative work, and all that you can hardly measure in terms of money”.

At that time Mr. Neogy and I who happened to be members of the Committee expected that in their annual reports and statements the Stores Department would show us by tables and statistics how they are developing Indian industries how they are doing the educative work also. I find now a contradiction from the report of the department saying that this is not the primary function of the Indian Stores Department.

*Chairman.*—We have discussed what is the primary function. It has been quite clear from the whole of the discussion that that is regarded as one of the functions.

339. *Maulvi Mohammad Yakub.*—What other industries has he given an impetus to, for instance, what about the cotton and hide industries?

*Colonel Kirkhope.*—That is all given in the report on the working of the department. I may refer to Chapter VI.

*Chairman.*—Has every body read the report?

*Mr. Das.*—It never came to us.

(Several other members complained that they had not received the report.)

*Colonel Kirkhope.*—We sent out 5 copies on Monday.

*Chairman.*—Let us hope that in future years this report will be available in good time.

Will the Committee be content to reserve the further examination of Colonel Kirkhope on the question of benefits to Indian industries until they have read this report? I think as a matter of fact we have had a good deal of information from Colonel Kirkhope in the course of this morning. We have dealt now with the prospects of the department paying and we have had a clear answer from Colonel Kirkhope about that. We have also had a very interesting account from him of certain things which the department has done to advance Indian



industries and we understand that there is more information available in this report. So perhaps we could leave that point for the moment.

340. *Kumar Ganganand Sinha*.—Sir, I would like to refer to some important comments made by the Auditor General at page 318.

*Chairman*.—We are dealing now with the question of policy of the department.

341. *Mr. Das*.—Sir, I would like to have a little more amplification of the policy of the rupee tender and how far the rupee tender system when properly established,—as we were assured last year a consulting engineers' firm has already been established in India,—will assist the work of the Indian Stores Department.

*Colonel Kirkhope*.—That is a rather difficult matter. I would like to have an absolute and direct question.

342. *Mr. Das*.—You referred to the question of rupee tender without our asking you, and last year while we were discussing this subject we were told that the consulting engineers' firm is going to be established in India. When Government adopts the policy of rupee tender how far is it going to help us? What proportion of orders in excess do you hope to get when the rupee tender system is established?

*Colonel Kirkhope*.—Leaving apart the question of the policy of the rupee tender and all that sort of thing, I think I can say this that the rupee tender to start with will probably not put a single penny more into India, that is to say, into Indian industries for the first few years.

*Mr. Das*.—I am asking you about the Indian Stores Department. How much will you benefit in money?

*Colonel Kirkhope*.—I have only one definite reply to that; at least I can only be definite on one point, and that is this: the Director General of Posts and Telegraphs tells me that when the rupee tender comes in, the 12 lakhs and a few odd thousand rupees that he spends in England will come into our hands. I have no definite information from any other department.

343. *Mr. Das*.—In that case will you arrange your inspection through the London Stores Department?

*Colonel Kirkhope*.—That is speculative; it depends on developement. So far as we can see if we are to be the agency through which inspection is to be made we shall have an inspection agency in Great Britain which will look after the work that is done in Great Britain and on the Continent. But I do not know that we are going to be that agency.

344. *Mr. Neogy*.—Are you not making a too sweeping remark when you say that the rupee tender policy will not bring a penny more?

*Colonel Kirkhope*.—It certainly brings more money to India because there will be agency fees and all that sort of thing. But I only said that at the beginning it will not bring more money into India, so far as manufacturers go.

345. *Mr. Neogy*.—As far as I recollect the Government Resolution dealing with this question of rupee tender laid down that a slight preference is to be given to the Indian industries in regard to rates.

*Colonel Kirkhope.*—That is correct. Even now a slight preference is given to the Indian industries. But the competition in India to start with will be more intense than it has been ever before. I am not making any definite statement because I cannot be speculative, but it is just possible that more orders will be sent out of the country than is the case at present; but eventually India will benefit. I do not believe myself that in the first two or three years India will benefit a penny except on the agency fees.

*Mr. Mitra.*—In fact in one of your earlier statements you said that we will be benefited by the rupee tender.

*Mr. Das.*—I understand that his department is not going to be substantially benefited except by a few lakhs as soon as the rupee tender system is adopted.

*Chairman.*—What he said was that he only had definite figures from the Posts and Telegraphs Department which would be affected to the extent of 12 lakhs.

346. *Mr. Das.*—Sir, will you permit me to ask him further about railway stores? I am doubtful if the department will get any more orders from the Railway Department because we had a discussion last year at Simla on the floor of the House and we understood from the Railway Member and the Financial Commissioner that they are going to develop their store department.

*Chairman.*—I suggest that we leave this question for the examination of the Railway witnesses.

347. *Mr. Das.*—Sir, we will not have again a representative of the Stores Department before us by the time we read their annual reports. I would only suggest that they should embody in their future reports the amount of purchase made of articles of Indian manufacture.

*Colonel Kirkhope.*—It is 98 per cent. of textiles.....

348. *Mr. Neogy.*—You could not help patronising Indian textile industries to a certain extent?

*Colonel Kirkhope.*—I dispute that, Mr. Neogy, but I do not wish to claim that we have benefited the textile industry to anything like what we have benefited the other industries. But we still have benefited the Indian textile industry to a certain extent. It occurs to me that in my administration report we have shown that our experiments have proved that a certain dye called ASTER is a good substitute for Turkey red dye. This Turkey red dyeing is an elaborate process and it is not done in India. The consequence was that all red materials, puggrees and so on, that had to stand exposure and perspiration had to be imported dyed with Turkey red dye. We experimented and found that this ASTER gave equally satisfactory results as regards lasting properties and we found that it is a simple process which can be carried out in any Indian mill. Now our orders for red puggree cloth, etc., go to Indian mills and there is a slight direct benefit.

I do not say that we place now 98 per cent. of orders in India and if we had not been there only 30 per cent. would have been placed. I only say that we

have to a certain extent improved even the highest developed industry in India, textiles. We have done it in drills and dyes and other things. We are now working on another dye which is used in large quantities by practically everybody in India. We have developed blue dyes to some extent. In fact one mill in Bombay, the Sassoon mill, tell me that they can get more for our rejected blue dyed material than we give them for the dyed material we have passed. And not only Sassoon's but other mill owners in the country tell us we benefit them. In Bombay I saw the President of the Millowners' Association recently and other influential persons and they all say that our inspectors keep their men up to the mark and improve their product. We cannot say that it is 5 or 10 per cent. or even 1 per cent. but even if it is a quarter per cent. that is all I claim.

*Chairman.*—I think this is important. To take an illustration of the red dye, if the Indian Stores Department can make the local textile people supply articles of that kind which they want for their own use, it also fits them to supply articles for the general consumption of India.

349. *Mr. Roy.*—Have you assisted the carpet industry to any extent?

*Colonel Kirkhope.*—I should not like to claim much on that account. We buy a large number of carpets.

*Mr. Roy.*—Have you done any thing to improve the carpets?

*Colonel Kirkhope.*—I think we can claim to have improved the dyeing of carpets; we have given lasting dyes to them and we have improved the patterns and workmanship generally?

*Maulvi Mohammad Yakub.*—Where do you place your orders for carpets?

*Colonel Kirkhope.*—In Amritsar, Agra, Mirzapur and Kashmir.

*Mr. Roy.*—Do you buy exclusively Indian carpets or foreign carpets also?

*Colonel Kirkhope.*—There was one celebrated case where we imported a foreign carpet but we have never done it since.

350. *Chairman.*—Have we dealt with the whole question of policy which this Committee wants to raise in connection with the Indian Stores Department?

*Maulvi Abdul Matin Chaudhury.*—I think the discussion will be facilitated after we have read the report.

*Chairman.*—We have very little more time to give to the Stores Department, and we have a lot of work to do still.

*Mr. Das.*—We should like to take a little bit of more time because we find that this department has not patronised India in the matter of purchase and Indianisation.

**Evidence taken at the seventh meeting of the Public Accounts Committee held on Thursday, the 15th August 1929, at 2-30 p.m.**

**PRESENT :**

- |  |                             |
|--|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER, <i>Chairman.</i>                                    |                             |
| (2) Mr. T. A. K. SHERVANI,   | } <i>Members.</i>           |
| (3) Mr. B. DAS,  |                             |
| (4) Mr. S. C. MITRA,   |                             |
| (5) KUMAR GANGANAND SINHA,   |                             |
| (6) Maulvi ABDUL MATIN CHAUDHURY,  |                             |
| (7) Mr. K. C. NEOGY,   |                             |
| (8) Maulvi MOHAMMAD YAKUB,   |                             |
| (9) Mr. K. C. ROY,   |                             |
| (10) Lieutenant-Colonel H. A. J. GIDNEY,   |                             |
| (11) Sir FREDERIC GAUNTLETT, Auditor General,  | } <i>Were also present.</i> |
| (12) The Hon'ble Mr. E. BURDON, Financial Secretary,                                     |                             |
| (13) Mr. J. E. C. JUKES, Controller of Civil Accounts,                                   |                             |
| (14) Mr. O. A. TRAVERS, Accountant General, Central Revenues,                            |                             |
| (15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department,                 |                             |
| (16) Mr. P. M. RAU, Audit Officer, Indian Stores Department,                             |                             |
| (17) Mr. B. NEHRU, Deputy Auditor General,   |                             |
| Lieutenant-Colonel K. M. KIRKHOPE, Chief Controller of Stores, Indian Stores Department, | } <i>Witnesses.</i>         |
| Rai Bahadur J. P. GANGULI, Under Secretary, Department of Industries and Labour,         |                             |
| Mr. R. R. REAKS, Assistant Chief Controller of Stores, Indian Stores Department,         |                             |
| Mr. TIN TÛT, Deputy Secretary, Department of Industries and Labour,                      |                             |
| Mr. E. V. GREGORY, Assistant Controller of Stationery and Printing,                      |                             |

GRANT 66.—*Indian Stores Department*—continued.

351. *Maulvi Abdul Matin Chaudhury*.—I want to enquire what is being done in the witness's department towards Indianising it with a view to secure economy in the administration.

*Colonel Kirkhope*.—I do not think that Indianisation will ensure economy unless one Indian officer does more than the work of one European officer, because they are getting exactly the same wages.

*Maulvi Mohammad Yakub*.—But what about leave allowances and overseas allowances?

*Colonel Kirkhope*.—We do not get overseas allowances except one or two who have been taken from other departments like myself. The Indian officer

and the European officer get exactly the same treatment as regards pay, allowances and leave.

352. *Maulvi Mohammad Yakub*.—Leaving aside the question of economy, what about Indianisation ?

*Colonel Kirkhope*.—At present there are 63 officers in the department of whom 30 are Indian and 33 European ; we have done our best to secure Indian officers : the recruitment is through the Public Service Commission and all applications must come from statutory natives of India as you will have seen in the papers—so that the Indian has the first chance. If we fail to get Indians, as we have done, of course we have to go home. We have failed over and over again. Owing to the difficulty of not getting fully trained Indians, we have taken Indians who are not fully trained and have attempted to train them and with some measure of success. One Indian had a Government scholarship in pure physics and we sent him to the Metallurgical Inspectorate. He gave a good account of himself after the first year and we kept him on and I have just recommended that he should come on to the indefinite agreement—he has been with us nearly five years now—that is as near as we come to permanency in the department. We had another Indian who was a metallurgical scholar but unfortunately he came too late ; we had no post of that sort vacant and so we put him in as a casting inspector under a European and he was trained for a year at the end of which he was reported on as fairly satisfactory but had not got sufficient experience and so we have kept him on and we hope that in a year or two he will become a first class man : at any rate there is no chance of his leaving the department unless to benefit himself. I may say that I had to pay the training charges of these men from my own budget. There was another Indian—a metallurgical scholar—and we took him on long before it was necessary to take him on having no vacancy but he was trained by us and in time we found a suitable job for him—in fact he is inspecting the cables of which I showed the illustration. In addition, we have two Indians who were selected by the Public Service Commission for training and they are undergoing training on a course of three years : they are paid Rs. 375 a month, which again comes out of my budget, for the first year and they rise by Rs. 50 provided they pass their examinations : they are trained in the metallurgical inspectorate and the Government test house and in various other branches of the department and finally they are put into the special branch in which we hope to employ them. That is what we have done towards Indianisation.

353. *Maulvi Abdul Matin Chaudhury*.—We find that vacancies in the inspectorate could not be filled up because of the difficulty of finding suitable candidates. Does that mean that throughout all India you could not find suitable men for these posts ?

*Colonel Kirkhope*.—I have told you that it is the duty of the Public Service Commission to find men for us and they have failed.

354. *Mr. Neogy*.—Is it not a fact that a responsible officer of your department is invariably associated with the Public Service Commission for the purpose of making a selection and that the selection depends upon him more than upon any one so far as the technical qualifications are concerned ?

*Colonel Kirkhope.*—It is a fact that one of our officers is usually present. The Public Service Commission may invite one of our officers to help them if they like.

*Mr. Neogy.*—And they always do?

*Colonel Kirkhope.*—They always do; but you know that on the Public Service Commission there are scientists as well as educationists.

355. *Maulvi Abdul Matin Chaudhury.*—I have got here a list of inspectors and I find that most Indians have got a certain amount of degree and qualifications which the Europeans do not: there is no qualification attached to them.

*Colonel Kirkhope.*—If I may speak perfectly frankly—and I would rather do so—I do not know if any of you read a lecture that I read to the Institution of Engineers recently in Delhi. I then went into the question of training Indians and I brought out what I believed to be a fact that Indians in general attach far too much importance to a university degree. We do not want men of that sort anyhow in the lower ranks: we want men who know the practical work: it is no use a man with a degree coming along to some one who is building a bridge, probably for fifty years and saying “you are not doing this work properly.” That man must have done the job himself and know how to do it. That is the difficulty in getting Indians at the present time. If they will go to a college and take a degree, by all means let them do it. I have been to college myself, though it was many years ago; but they must go through the shops as well or they are no use to our department.

356. *Mr. Das.*—Do you not think the fact that the system of administration prevailing in India does not allow Indian young men these facilities for training, whether in a railway engineering workshop or anywhere else accounts for the fact that the Indians are not equipped with that knowledge?

*Colonel Kirkhope.*—I do not quite understand.

357. *Mr. Das.*—You say that because the Indian youth does not go through the workshop training he is not fit for your department: and you also observed that the Indian youth very often goes for university degrees. The fact is that a university degree, whether in India or abroad, is easily available to an Indian youth, but workshop training, whether in the very Government workshops or in other engineering workshops in India or England, is not available to the Indian youth. Do you know it for a fact that in the Assembly we have impressed upon the Government that whenever the High Commissioner makes any purchases from firms, he should insist that Indian youths should be given training in those firms, and yet the High Commissioner has failed so far.

*Colonel Kirkhope.*—I know that; I do not think it is true.

*Mr. Das.*—That is true: I will shout it from the housetops.

*Chaman.*—The point is an important one; but I hardly see how the witness can be made responsible for answering it.

358. *Mr. Das.*—When this department came into existence out of the Stores Purchase Committee, it was recommended that the recruitment should be primarily from statutory Indians and every year the recruitment has gone on: and now we find here that out of 60, more than 30 are Europeans. I remember

I was in the Standing Finance Committee four or five years ago when there were only ten officers of whom four or five were Indians; every year, therefore, the European recruitment has been growing and we are not at all satisfied in the matter of encouragement of Indian industries: we are not even satisfied in the matter of recruitment of Indians to these offices.

*Chairman.*—I quite understand your point and I appreciate it. But Colonel Kirkhope's answer is that it is difficult to get Indians who have been through a proper workshop training and that has made it difficult for his department to make all the appointments from among Indians. You then raised the question that it is difficult for an Indian to get training facilities and to go through a course in the workshop. I say that that may be a fact, but Colonel Kirkhope is hardly responsible for it.

*Mr. Das.*—I am not holding him responsible for it, but I am holding him responsible for the administration of the department of which he is the head and if he goes against the fundamental recommendation under which his department was created, we as a Committee could question the existence of his department.

*Chairman.*—I think it is hardly fair to him to say that he is going against a fundamental recommendation of the Committee. If you see, the proportion of Indians in the department is steadily increasing. It was 14 and 2; it is now 33 to 30.

359. *Mr. Roy.*—Do you really believe that we cannot produce the necessary recruits you want in your department?

*Colonel Kirkhope.*—It is not my responsibility to produce them: there is the Public Service Commission.

360. *Mr. Neogy.*—Do you know that in Mysore they run their entire iron works without the assistance of a single non-Indian and that they run the whole of their railway system without such assistance? How do the Indian States manage to do it?

*Colonel Kirkhope.*—I do not know.

361. *Mr. Roy.*—The point is this: the qualifications for the candidates are prescribed by you or by the Public Service Commission?

*Colonel Kirkhope.*—We have a certain amount to do with it certainly, but the qualifications which eventually go to the Public Service Commission are laid down by the Industries Department.

*Mr. Roy.*—Of which you are the constitutional adviser?

*Colonel Kirkhope.*—They can take my advice or not.

*Mr. Roy.*—I cannot believe for one moment that you cannot get enough qualified candidates in India.

*Chairman.*—Cannot we get away from this general discussion? The witness has helped us much more because he has stated that he does not find it easy to get Indians who have been through the training in the shops.

*Colonel Kirkhope.*—I have gone further and I have said that we have taken into our department untrained men and trained them successfully anyhow to a certain extent.

*Chairman.*—We do not want to ask general questions : we want to see how we can provide better facilities for workshop training for Indians.

362. *Mr. Neogy.*—Will Colonel Kirkhope kindly make an inquiry from certain Indian States which have succeeded in running their technical departments with the assistance of Indians exclusively as to how they find their recruits ? Mysore does it and Baroda does it : and Hyderabad and Travancore to a certain extent.

363. *Maulvi Mohammad Yakub.*—Do you prescribe the qualifications ? The Public Service Commission cannot appoint men who are below the standard prescribed by you ?

*Chairman.*—Obviously Colonel Kirkhope must prescribe the qualifications which he thinks come up to an adequate standard.

364. *Maulvi Mohammad Yakub.*—The point is, is it possible to devise means to produce more qualified Indians ?

*Colonel Kirkhope.*—The standard laid down is a very simple one ; we demand a minimum of three years' workshop training and a degree equivalent to a membership of an Engineering Association like the Civil or the Institution of Engineers of India, and a certain amount, say two years, of experience outside the apprenticeship. It is a very simple thing ; if they do not have this, we demand, I think, five years' workshop training.

365. *Maulvi Mohammad Yakub.*—Can you suggest any means of providing Indian students with workshop training ?

*Colonel Kirkhope.*—I cannot. I was speaking to Sir Philip Hartog the other day about this particular question and he mentioned to me that he had spoken to Sir Malcolm Hailey and as far as I can recollect his words, they were that the United Provinces has not got a suitable engineering college.

*Maulvi Mohammad Yakub.*—What about Roorkee ?

*Colonel Kirkhope.*—I know Roorkee : but it is not for mechanical engineering. I am not talking about civil engineering. India does produce civil engineers : but I am talking more about mechanical engineering—men who can look after bridges, wagons and so on : and he said to Sir Malcolm Hailey " the first thing you want in your province is an engineering college." I happened then to mention to Sir Philip Hartog that I had been a member of the Board of Industries of the United Provinces for two years from 1920 to 1922 and I was then also the head of the mechanical engineering department of the O. and R. R. I had two very large shops which employed 6,000 men and into those shops we took some 23 Indian youths from various colleges round about and we gave them a practical training. Now, I do not want to say too much about it, but these youths would not take this practical training : they would not take their coats off and go into it as the ordinary boy in England will.

*Maulvi Mohammad Yakub.*—Although the unemployment problem is so severe ?



*Colonel Kirkhope.*—That is a fact. I had a strike there which lasted 82 days and during this strike I said to these boys “ Go into the running sheds and work among the running engines and there you will learn far more than you ever will in the workshops.” I know I learnt more from this source during the strike at home than from anything else ; but these boys all refused point blank and I had to turn them away from the shops ; they said the engine shed work was too dirty. That is exactly what I have to complain about.

*Mr. Das.*—That is a sweeping statement and as an engineer I strongly protest against it ; it is political and controversial.

*Mr. Mitra.*—I think it depends upon the selection : you cannot say that throughout India you cannot get boys to take to manual work.

*Colonel Kirkhope.*—May I continue ? Now, at that time, as a member of the Board of Industries I was closely associated with a scheme for providing a proper college in Lucknow which was going to be adjacent to the engineering workshops of the O. and R. R. and we were going to take a large number of boys ; we were going to have a special part of the shop set apart for the boys where they could have the practical course ; but it fell through for want of funds. You can revive a scheme of that sort.

*Chairman.*—So, that should be one of our recommendations.

*Mr. Das.*—Certainly not. This is only one side of the argument and the Committee has nothing to do with the personal experience of Colonel Kirkhope. The proper type of Indian boys are not allowed to be recruited.

*Chairman.*—Colonel Kirkhope was asked for his recommendation as to what Government could do to make available a larger supply of qualified candidates for his department. He made no sweeping statement ; he simply gave us a very interesting bit of his own personal experience ; you may say that it is not typical and there may have been special reasons and that you will get Indian boys ; but at the same time he was quite in order to give us his experience ; you are not right in saying that it is a sweeping statement.

*Colonel Kirkhope.*—I have been associated with this training of boys all over India ; during the war I passed no fewer than 60,000 Indians through various training camps and trained them in all sorts of technical work ; I have been on three State Railways and I have been associated with schemes of education and I have watched the results of these things since I left the Railways and I have been in contact with the Director of Industries in Bengal, who is an old friend of mine and who was associated with me many years ago in these very schemes ; and he tells me that in Bengal now, in conjunction with the E. B. Railway, they are training lads and that he can get the boys to do anything.

*Colonel Gidney.*—I can say from my knowledge that there are numerous training institutions in Bengal which provide very fine technical men.

*Colonel Kirkhope.*—Yes, you are right.

366. *Mr. Roy.*—Have you visited the Mechanical Engineering part of the Benares Hindu University ?

*Colonel Kirkhope.*—I was on the Board of Studies of the Benares Hindu University from 1921 or thereabout for a year or two.

*Mr. Roy.*—Then the assertion you made that you cannot find Indians who are able to do hard work is not quite correct?

*Colonel Kirkhope.*—I did not say that. I said it is difficult to get the pupils to go through the workshops course because of the dirty work.

*Chairman.*—We need not pursue this discussion as to what the difficulties are. Everyone is agreed—including Colonel Kirkhope—that it is desirable that if the policy is to recruit Indians for this department, it is necessary to consider what means should be adopted to provide a supply of suitable qualified candidates for the Department.

*Colonel Kirkhope.*—I may say, in addition to what I have said already, that we have under consideration a scheme for the definite purpose of training men. At present we have 2 students and it is very difficult for us to train more than 2 at a time. They may pass or they may not, but the intention of the department is to continue that scheme for some time. Anyhow, it must be continued until the flow of recruits is sufficiently large to enable us to abolish it.

*Chairman.*—It is quite clear that this Committee would like to have further details about that scheme. I think it would meet our views for the recommendation of this particular subject if we say that the Committee desires to comment on the fact that a large number of non-Indians are still being recruited for the department and that if the reason for this is that suitable qualified Indians are not available for recruitment, steps should be taken to see that proper training facilities are available.

367. *Maulvi Mohammad Yakub.*—We would like to know what other recommendations you can make on the subject of giving facilities for their training?

*Colonel Kirkhope.*—I have mentioned already that we have two men definitely under the three years' course of training and the idea is—I do not know what my Honourable Member will decide—to extend the scheme on similar lines. Anyhow, he is favourable to a scheme of training Indians within the department.

368. *Maulvi Mohammad Yakub.*—Can you suggest any scheme by which Indians may get training in railway workshops?

*Colonel Kirkhope.*—They have entrance examinations to these workshops. The competition is very keen and the railway shops are full, as full as they can be. They have in Bengal particularly, and I daresay in Lahore too, what they call a Board of Apprenticeship Training on which railway officers are represented and also educational officers. Their training grounds are the railway workshops in and around Calcutta.

*Maulvi Mohammad Yakub.*—Have they got any educational qualifications for these candidates fixed?

*Colonel Kirkhope.*—You are asking me too much. I do not know the details of everything.

*Maulvi Mohammad Yakub.*—You said that you do not want men of University degrees for this kind of work. But if the department has fixed educational qualifications poor Indian boys cannot do anything but get those degrees.

*Colonel Kirkhope.*—Let me correct an impression that I might perhaps have given. The University degree is of less value than the practical work for the men that I am talking about. In Bengal they do get scientific training and in conjunction with practical training they do eventually have a University degree.

*Chairman.*—Other things being equal, you will rather have a man who has got a University degree as well as practical training.

*Colonel Kirkhope.*—Yes.

*Maulvi Mohammad Yakub.*—You will give preference to a man who has got a University degree and also practical training?

*Colonel Kirkhope.*—Yes; but the practical training is essential. How is a man going to help the industry if he does not know the industry himself.

369. *Maulvi Mohammad Yakub.*—I would just like to ask a question concerning my local patriotism. Have you done anything to help the Moradabad brass work?

*Colonel Kirkhope.*—We do not buy anything of that sort.

*Maulvi Mohammad Yakub.*—I may tell you that during the war Moradabad sold lakhs of spoons and forks. Even now in many hotels in India the spoons and forks are supplied from Moradabad.

*Colonel Kirkhope.*—If any department will come to me for spoons and forks in future, I will mention to it the possibilities of Moradabad, but I am not buying spoons and forks.

370. *Mr. Mitra.*—Have you done anything for the waterproof industry of India?

*Colonel Kirkhope.*—We have done a great deal for it. We bought only last week 1475 waterproofs from a firm in Calcutta. We are buying a great number of waterproofs.

371. *Mr. Mitra.*—What is the total number you have purchased?

*Colonel Kirkhope.*—That I cannot say. We buy practically all our waterproofs from Calcutta and also postal bags, motor car covers, etc.

372. *Mr. Mitra.*—Are they imported by some Calcutta firm?

*Colonel Kirkhope.*—In some cases the cloth is imported. At the present time we are trying to get the Indian textile people to produce a cloth that is sufficiently closely woven and beaten up to stand water. The ordinary Indian made stuff is not good enough. We may succeed or we may not succeed. One difficulty is that the short staple of Indian cotton will not stand intensive beating up. It is not long since we have had an opportunity of developing this waterproof business. We are buying them for the railways and that particular purchase was also for the railways. We now have large purchases of waterproofs and we can now help Indian industries when we have scope for doing so.

372. *Mr. Mitra.*—Are you quite sure that the indigenous stuff of waterproof has not passed the test of your test house quite satisfactorily?

*Colonel Kirkhope.*—It has passed certain tests in the test house but the Indian proofed material is not Indian woven to the best of my belief.

*Mr. Mitra.*—Will you please make more inquiries?

*Colonel Kirkhope.*—We deal with so very numerous things that I sometimes fail in my memory, but I know anyhow that we are definitely endeavouring to get an Indian material that will prove a satisfactory waterproof. I know exactly what you are driving at. That stuff is waterproof but we found that we were supplying most of this particular waterproof stuff to postal peons who ride bicycles and we found that the movement of their arms and legs soon made the garment leak. We devised ourselves in the test house a machine that duplicated as nearly as possible the movement of the human body and we are now trying to get this closely beaten up stuff. I may say that I met the waterproof manufacturers in Calcutta about a fortnight ago and I discussed this matter with them.

373. *Kumar Ganganand Sinha.*—You have told us that with the Public Service Commission sits the Technical Adviser of the Indian Stores Department when they make the selection. I would like to know the nature of the advice which the Technical Adviser offers to the Commission. May I know whether the Public Service Commission invariably accept his advice or do they sometimes override his advice and make their own selection?

*Colonel Kirkhope.*—I might say straightaway that the Technical Adviser of the Public Service Commission has never offered any advice whatever to the Public Service Commission. He merely sits there and asks certain questions and the Commission itself is left to make a recommendation. We have nothing whatever to do with it. We do not even see their recommendation unless it comes to us through the Industries Department.

*Colonel Gidney.*—How can a non-technical Public Service Commission understand the replies given?

*Colonel Kirkhope.*—It is astonishing how much they do know. They have a very wide range of knowledge.

374. *Chairman. (Paragraph 53 of the Auditor General's letter).*—Are there any questions that you would like to put on this account Sir Frederic Gauntlett?

*Sir Frederic Gauntlett.*—The progressive increase in the nominal figure of loss in the accounts has already been dealt with very adequately this morning.

375. *Mr. Mitra. (Page 318 of the Report—Important comments).*—Have you any regulations to regulate the acceptance of contracts?

*Colonel Kirkhope.*—No, whatever contract comes along we take it, provided it is from a department that we are free to deal with.

*Mr. Mitra.*—So there are some fixed regulations by which you judge these contracts before accepting them.

*Colonel Kirkhope.*—I do not really quite understand what you mean.

*Mr. Mitra.*—I mean tenders and not contracts. Have you any fixed rule by which you guide yourself?

*Colonel Kirkhope.*—We open the tenders in public as you know and any tenderer is at liberty to be present at the opening of tenders and we read out the name of the tenderer and also the tender price.

*Mr. Mitra.*—I want those details. I want to know whether there are any fixed principles by which you guide yourself?

*Mr. Ganguli.*—We take the lowest satisfactory tender.

376. *Mr. Mitra.*—Have you any objection to place the list of the approved tenders in the library of the Assembly?

*Colonel Kirkhope.*—We are making over 20,000 contracts in the year and I do not think we can do it without a great deal of trouble. We publish the result of every tender that is made of the value of over Rs. 100 in the Indian Trade Journal. We advertise all contracts of Rs. 5,000 and some even under Rs. 5,000 when we are not very certain of the source of supply. When a contract is awarded we publish it in this booklet.

*Mr. Roy.*—But there are no details of the tender. You only say that the following tender has been accepted.

*Colonel Kirkhope.*—It will take volumes to publish that.

377. *Mr. Roy.*—Would you place a list in the Committee room of the House when you do not accept the lowest tender with your explanation as is done by the High Commissioner?

*Colonel Kirkhope.*—I should personally resist it on the grounds of cost.

*Mr. Neogy.*—Are the cases so numerous in which the lowest tenders are not accepted?

*Colonel Kirkhope.*—I do not think so.

*Mr. Neogy.*—Then how does the question of cost come in? You are aware that the High Commissioner sends a statement every six months to be placed before the Legislative Assembly in which he justifies the placing of any tenders above the lowest price quoted.

*Colonel Kirkhope.*—We, of course, always record a reason for not accepting the lowest term.

378. *Mr. Neogy.*—Have you any objection to publishing those reasons?

*Colonel Kirkhope.*—I leave that to my department to say. It is a matter for them to decide; it goes beyond my province, I think.

*Mr. Ganguli.*—The same question is raised in the second paragraph. As regards that I will give you some figures. Here the remark is made that in many cases orders were placed. As a matter of fact, we have counted them up and found that they were only 25. 18 of them related to the headquarters and 7 to the provinces. Out of these 25 cases, in 24 cases the Audit officer has considered our explanation to be quite satisfactory. So there is only one case.

*Mr. Shervani.*—If the cases are so very few, they must be published?

*Mr. Ganguli.*—I cannot give an off-hand reply.

379. *Mr. Roy.*—We only want to ascertain from Colonel Kirkhope his technical view which is his own view and has nothing to do with the Government of India as such ?

*Colonel Kirkhope.*—My own view is that the tenderer is sufficiently guarded by our publishing the matter in the Indian Trade Journal.

380. *Mr. Neogy.*—It is not the question of the tenderer, it is a question of public interest. If the High Commissioner thinks it right to make a statement every six months, I do not see any reason why Colonel Kirkhope should fight shy of it ?

*Colonel Kirkhope.*—I am perfectly willing to obey any orders that are given to me by my department.

*Chairman.*—Colonel Kirkhope has no responsibility in this matter. If you want the Government of India to consider a recommendation of this nature, it is easy for you to make a recommendation to that effect. If they do not accept your recommendation, then you can attack the Government of India. I think it is rather unfair to ask Colonel Kirkhope his personal opinion. I do not think he ought to be attacked on that point. It is the Government of India that has to decide this question. I presume it is the actual decision that we want to get at and not to make a grievance of it against Colonel Kirkhope.

381. *Maulvi Mohammad Yakub.*—Will you give any explanation as to why indents were placed with certain selected firms only ?

*Mr. Ganguli.*—The answer is on account of urgency.

*Maulvi Mohammad Yakub.*—I think that answer cannot be satisfactory because orders in urgent cases must be very few.

*Colonel Kirkhope.*—There are only 18 cases here in more than 20,000 contracts into which we have entered.

*Kumar Ganganand Sinha.*—Now that a circular has been issued, do you think that such things will not recur ?

*Colonel Kirkhope.*—In addition to the circular that has been issued, we have a special letter which we have drawn up and in every case in which we get a demand which precludes the usual procedure we write to the indenting officer and tell him that we cannot pursue the routine laid down by the Government of India in calling for tenders in his case and ask him to give adequate time in future. We have sometimes extraordinary cases. We had for instance a case where there was a wash-out on a canal at Roorkee. We sent a man to the bazaar and we got everything necessary and thus perhaps we saved lakhs of rupees. That is a very exceptional case.

Well, to take the brown felt first, Sir. This felt is used by the Army. It took us years to develop the manufacture of this felt in India and only one firm put in the necessary machinery for the purpose. We tried to get other firms to do it but fortunately they did not do so. I say fortunately because since the mechanisation of the army has proceeded, the demand for this particular kind of felt has steadily declined until we cannot keep even the few machines in this particular factory going. So we encouraged

this particular factory to put in the machinery and now we cannot keep it going. It is therefore useless to my mind to attempt in India to get this stuff. We know there is no machinery. We check the price by reference to the home price. The industry is dying and it is not a thing we can bolster up.

Now, with regard to the khaki drill and the blue drill, we advertise regularly for these. I have here the same Indian Trade Journal and I find we advertised for 28,000 yards of blue drill, 80,000 yards of khaki drill and 14,000 yards of white drill. That is one of the channels but we advertise throughout the year and we know from long experience that only Binny and Co., Madras, who have facilities for special cotton and whose labour appears to be up to a special standard, are the only people who can make a drill up to the Army standard. This drill is so good that the Home Government has adopted it for colonial troops. Usually, in fact invariably, Binny and Co. get this army contract and when we make this contract, which is necessarily made at a very low rate because it is for an enormous quantity (I think the price is Rs. 8-11-0 less 5 per cent. reduction), we take an option with Binnys to supply a certain amount over the contract for the army and when the Police and other people come to us we throw in their demands with the army demand and get it at the low price. It is the cheapest drill in India and the best drill. Now we do that not only with drill and textiles but we do it with everything. The Railways, for instance, asked for 11 lakhs of gallons of axle oil—it is an enormous figure—and if a canal engineer wants 10 gallons of oil for lubricating his lock gates we do not go out to tender. We throw it into this immense pool and he gets it at the extraordinary cheap rate at which the railways get the oil. So we effect enormous economy. We regularly advertise this drill, but when sporadic demands come in we throw them in with the main demand.

382. *Mr. Neogy*.—What does “etc.” stand for?

*Colonel Kirkhope*.—I do not know: I did not write this book.

*Mr. Das*.—But didn't you read it?

*Colonel Kirkhope*.—Well, the “etc.” may cover anything. I mentioned axle oil, for instance. Then there may be electric lamps. Any Government department can get these.

383. *Mr. Mitra*.—About the budgeting, I find this year there has been a saving of 65,000, and in 1925-26, 96,000, and in 1926-27, 64,000. I raise it as a general point because in all these grants we find savings which show over-budgeting. I find that everywhere there is some saving in the voted grants and that makes the whole budget unreal to that extent.

*Mr. Ganguli*.—The details are explained in the footnotes: explanations of the causes of variation.

*Sir Frederic Gauntlett*.—I think Mr. Mitra is really pointing out the persistence of the savings. Why is there always a saving?

*Mr. Ganguli*.—This is due to the fact that every year we have been having expansion. The Standing Finance Committee has been giving us extra money every year and then we issue orders, the new scheme is introduced late and there follows a lapse.

*Sir Frederic Gauntlett.*—The only suggestion is that if there is always a lapse you ought to make a cut to meet the lapse. I mean experience of many years has always shown that these things occur every year. And Mr. Mitra's question is really pertinent to this extent that if the department would just make a list year after year they would see that such and such an item persists in it.

*Chairman.*—Well, we recognise the difficulty. At the same time, it is a difficulty which everyone has to deal with and I hope that account will be taken of this criticism in future years.

384. *Mr. Das.*—With regard to the profit and loss account on page 313, Sir, the loss for the year 1927-28 is given as Rs. 5,55,000, and the audit papers presented to us gives it as Rs. 5,76,000. In the previous year's list it is shown as Rs. 3,99,000. When we examined Colonel Kirkhope he said that in 1926-27 a deficit of Rs. 2,18,000 had occurred. This year it is shown as Rs. 3,99,000.

*Sir Frederic Gauntlett.*—The answer, Sir, is found in the footnotes. The figures for 1926-27 represents audited figures, while the figures for 1927-28 do not represent audited figures. In the same way last year the figure given was the preliminary figure.

*Mr. Das.*—Colonel Kirkhope said the accounts for 1927-28 were not finally audited. He said that last year. But then he gave us the audited accounts showing that there is a deficit of Rs. 2,18,000, a much smaller figure than is shown in last year's Appropriation Account. I am only pointing out the discrepancy.

*Colonel Kirkhope.*—The profit and loss account is not a true statement of our working. The profit and loss account is showing what we have earned on contracts but this account here in our administration report shows actual recoveries. We may have made contracts up to the extent of 4 crores.

*Chairman.*—We are not dealing with that. We are dealing with the Accountant General's accounts. I think Mr. Das's point is this, that last year the Committee was given a figure for the working loss for 1926-27 as Rs. 2,18,000 and it turns out on the audited accounts that that loss is Rs. 3,99,000. That seems to be a very big difference. It seems to me that Rs. 2,18,000 was the figure as made out in the administration report.

*Colonel Kirkhope.*—The figure given in the Administration Report is an audited figure. This profit and loss account to start with is not a correct statement of our affairs. The profit and loss account is merely an addition of the individual accounts of the department. It is an arithmetical addition of the accounts of the department and common items recur. For instance, you will see "To share of headquarters administration charge" on the following page 314. And that occurs throughout in all the individual ones. And you will find the same thing comes in here again in page 313. And at the root you will find our expenditure appears to be Rs. 24,71,572 whereas it actually is not that, because they have added the same things twice over.

*Sir Frederic Gauntlett.*—I can explain, Sir, the difference between the account presented last year in my Appropriation Accounts and the accounts presented this year. It depends practically entirely on the fact that last year there was this theoretical reduction on the amount debitable to development



which was just over a lakh of rupees. Last year the figure was 2,94 and now it is 3,99, and practically the whole of it is due to the fact that in view of the remark which is now made at the bottom of the page no attempt is made to indicate a figure debitable to development.

*Chairman.*—Well, that is another point. The point that we are at, at present, is that in the Administration Report, on page 27, we find that for 1926-27 the net deficit is Rs. 2,18,000, which Colonel Kirkhope says is an audited figure. The figure that appears on page 313 of the Accountant General's Report shows a net loss of Rs. 3,99,000. Colonel Kirkhope explains that by saying that in the Accountant General's statement one item has been accounted twice over.

*Colonel Kirkhope.*—Well, it has been in getting this total. Our total expenditure for 1926-27, which I have worked out in detail here, is Rs. 19,44,438. Whereas this statement shows it as Rs. 22,24,906, and that occurs through adding something twice over. I think it is items 13 and 14.

*Chairman.*—You were suggesting that the Accountant General's statement is inaccurate ?

*Colonel Kirkhope.*—I am suggesting that his method of preparing accounts wants very careful examination to understand really what it is.

*Chairman.*—And when you have conducted that careful examination you find out that the figure is wrong.

*Sir Frederic Gauntlett.*—I quite agree, Sir, that if you have two government documents, one an Administration Report and the other the Accountant General's statement, the figures of profit and loss should be the same. Leave it to us to thrash out how that is to be done. It is exactly what Sir Arthur Dickinson drew attention to in regard to railways. He said he could not find a figure in any government report that agreed with the figure in any other government report.

385. *Chairman.*—Well, I think we want to know what the reason for the difference is.

*Mr. Ganguli.*—The Administration Report includes only administration charges.

*Colonel Kirkhope.*—That I think is a true statement of accounts on the same lines as this without adding the same things twice over.

*Chairman.*—But I should like a clear explanation of this very big difference. According to the Accountant General's statement the Department shows a very steady deterioration as regards net loss. When we turn to the Administration Report we find an absolutely different picture.

*Sir Frederic Gauntlett.*—The first main explanation, Sir, is the one that the Rai Bahadur gave you. The Administration Report takes no account of indirect charges.

*Chairman.*—But what are these indirect charges extending to this enormous amount ?

*Mr. Ganguli.*—Interest charges, capital liability, etc.

*Sir Frederic Gauntlett.*—Page 313, items 8, 10, 11, 12, 13, 14 and 15.

*Chairman.*—But if I take these items, they have not increased to any extent.

*Mr. Neogy.*—Depreciation charges have gone down.

*Sir Frederic Gauntlett.*—With regard to Audit and Accounts, I think the increase is probably mainly due to increments. It is a young department, the junior clerks are all of them getting increments every year.

*Chairman.*—Yes, but all this does not answer my question. You say the difference is due to the inclusion of certain indirect charges but I cannot find, on examining these indirect charges, that there has been any increase under those heads which accounts for a lakh and three-quarters. And all this morning we have been considering the commercial results of the department on the basis of these figures which seemed to show that the results were getting so much worse—whereas when we turn to the Administration Report we find that it is getting a little worse as between this year and last year and if we go back further there has been an improvement. The question raised now is whether these indirect charges are fairly indicative of the results of the department.

*Mr. Ganguli.*—In comparing the two, Sir, should you not omit altogether the items I mentioned ?

*Chairman.*—Well, omit them. There is a difference of a lakh and a half. If you simply omit these figures each year that won't account for the difference. I think we ought to have next year some explanation of the difference and some readjustment of past years so that we can make some comparisons.

386. *Mr. Das.*—May I pursue my original questions to Colonel Kirkhope ? I have got one or two further questions to put to him. I find that all the five departments have been separated and the accounts show that the metallurgical department has made a profit but the other four departments have made a loss. Is that not so ?

*Colonel Kirkhope.*—Yes. As I told you before, we made 66 per cent. profit on the metallurgical inspectorate but the other branches have made a loss.

*Mr. Das.*—In the other four departments the losses have increased more than last year ?

*Colonel Kirkhope.*—The losses in actual rupees are more. That is so, but in actual percentage it is less and we are making towards stability.

*Chairman.*—Of course, the larger the turnover the greater the loss, but the point is that the percentage of losses is getting steadily less ; the turnover has been larger and therefore the actual gross total loss has been more, but taking the percentage of turnover the loss is less than what it was before.

*Colonel Kirkhope.*—That is exactly so.

387. *Colonel Gidney.*—Is the Department working at a loss, at a worse loss than last year or not ?

*Chairman.*—You are going right back to what we started with this morning. I think the report which I have asked will give you the information which you want. I do not think it is very easy for us to understand it from these figures

now. We have Colonel Kirkhope's assurance that things are really getting steadily better.

*Sir Frederic Gauntlett.*—If the department is to be considered as in any way a commercial department, it is the commercial account by which it has to be judged and not by the figures which disregard all the administration charges.

*Chairman.*—It is quite possible that your commercial accounts include items which for a particular year may fall heavily on the department. What I want to do is to examine whether it is really getting better or worse and I do not understand the position yet. But I have Colonel Kirkhope's statement that he will be able to put before us in collaboration with the accounts people a picture which will show how in certain respects it is getting better and although certain indirect charges may have fallen very heavily this year they are not going to have that effect on comparative results.

*Sir Frederic Gauntlett.*—I am perfectly sure that a report of the comparison of the two figures will enable the position to be clearly elucidated.

388. *Mr. Neogy.*—This metallurgical inspectorate existed before your department came into existence, perhaps under another name ?

*Colonel Kirkhope.*—It existed under the same name but on a very much smaller scale and with less activity. For instance they did not do the cable work that we are doing now and a few other things. They were mainly concerned with the inspection of rails and fish plates, but we have developed very considerably since then.

*Chairman.*—It existed only for the railways ?

*Colonel Kirkhope.*—Yes. Now it exists for the open market. The open market can buy certified steel.

389. *Mr. Das.*—The inspection of wagons is under you ?

*Colonel Kirkhope.*—It comes under us.

390. *Mr. Das.*—Last year either you or Mr. Pitkeathly gave us an assurance that you will be preparing a statement which will show that the largest percentage of material used for manufacture of those wagons are all Indian articles and I think either you or Mr. Pitkeathly gave us to understand that you are having tabulated statements which you examine when you go to inspect these things ?

*Colonel Kirkhope.*—Mr. Pitkeathly was not here last year and I was not here the year before and I do not know exactly what was said.

*Mr. Das.*—I understand it was you or somebody from the Industries Department that gave us to understand that in the case of manufactures which receive protection the inspecting officer sees that at least 40 to 50 per cent. of the materials.....

*Mr. Neogy.*—He said, a substantial proportion.

*Mr. Das.*—Yes, a substantial proportion used in those manufactures is Indian made ?

*Colonel Kirkhope.*—Of course, the bounty on wagons has gone and there is nothing of that sort now. What is done is this. I mentioned the matter in connection with bridges this morning and it is exactly the same with wagons.

The wagons are usually let out on contract to various firms and the firm that gets the contract submits to us a list of the material it proposes to get in India and a list of the material it proposes to import. If we see in this list any material which we think should be purchased in India we go back to them and say that they must give Indian sources a chance and in that way we have diverted an enormous amount to India. Every indent that goes home comes to us for post scrutiny, it does not matter whether it is wagon steel or any thing else. If we consider that the material that has been indented for can be purchased in India we go back to the indenting officer and ask him to purchase in India and we have been very successful indeed in diverting a great deal to India, but we cannot say it must be for we have no mandate.

*Chairman.*—Although we have differences of opinion about the policy of the department, I am sure we all agree that Colonel Kirkhope has given us a tremendous lot of information to-day and has shown striking ability in answering practically every question which has been put to him. Thank you very much.

The witness then retired.

Mr. Tin Tut and Mr. Gregory were called in and examined.

#### GRANT 48—*Geological Survey.*

391. *Chairman.*—Paragraph 44 of the letter. “The savings on the voted grant represent 17 per cent. of the provision and suggest that the deduction for probable savings might with advantage be increased.” What do you say about that?

*Mr. Tin Tut.*—Since the 1928-29 budget we have introduced a system of separate cuts on account of probable savings from the more important of individual heads in addition to a lump cut.

392. *Mr. Neogy.*—Page 188 of the report, Explanation H. “Excess, which was brought to the notice of the Director, remained unregularised.” I do not understand why even after it was brought to the notice of the Director the amount remained unregularised.

*Mr. Tin Tut.*—It was brought to his notice very late in the financial year and he did not have enough time to take the necessary steps for applying for additional funds.

*Maulvi Mohammad Yaqub.*—When was it brought to your notice?

*Mr. Tin Tut.*—I think some time in March. Not to my notice but to the notice of the Director.

#### GRANT 59—*Industries.*

393. *Chairman.*—The next paragraph to which the Auditor General directed our special attention is paragraph 51, Grant No. 59.

*Mr. Neogy.*—You have to put every grant.

*Chairman.*—I will if you like. I leave it to members to raise any question they wish to put if I skip over any grant.

394. *Chairman.*—I want to jump now to paragraph 51 of the Auditor General's letter which will bring us to Grant No. 59. Are there any questions on any of the intervening grants,

As regards Grant 59 I will deal first with the Auditor General's comments. He says, "Large savings occurred under both voted grant and non-voted appropriation. It seems that a lump cut, particularly from the budget of the Indian School of Mines, could safely have been made. The supplementary appropriation sanctioned on the 3rd January 1928 under the sub-head A. 2 (2) was mainly responsible for the saving on the non-voted appropriation."

*Mr. Tin Tut.*—We are prepared to consider the question of a lump cut in future budgets of the School of Mines. As regards this particular year, 1927-28 the school was just started in 1926 and so the year 1927-28 was really the first complete year for which funds had to be provided; it was under the circumstances inevitable that a certain amount of bad budgeting should have taken place. We had to grope in the dark and we had no previous years budgets to go upon.

*Chairman.*—Then you are taking account of this recommendation in future?

*Mr. Tin Tut.*—Yes.

395. *Chairman.*—Page 294—note B. 4. The Auditor General's comment is that the explanation seems to indicate inadequate knowledge of the progress of expenditure in India.

*Mr. Tin Tut.*—We must admit this.

*Mr. Rajagopalan.*—I have got an explanation, Sir. According to the forecast of expenditure for 1927-28 it was anticipated that the total expenditure under this sub-head would reach about a lakh of rupees. The actual expenditure incurred during the year amounted to Rs. 88,000 against a net grant of Rs. 1,03,000. One reason why the actuals fell short of the estimate by about Rs. 15,000 was that plant, materials, etc., valued at Rs. 10,000, orders for which were placed at least six months before the end of the financial year and which were expected to be supplied in sufficient time to allow of the bills being paid before the end of the financial year were not actually received during the year.

*Chairman.*—I think we must accept that.

396. *Colonel Gidney.*—I want to put a few questions about the School of Mines at Dhanbad. You train your students in mineralogy and various other subjects?

*Mr. Tin Tut.*—Yes.

397. *Colonel Gidney.*—It seems to me that the students that you train there are not recognised except for very small appointments. For instance, they are not accepted by the railway authorities for ordinary inspectors' jobs on mines.

*Mr. Tin Tut.*—We have been under communication with the Railway Department and for some of the appointments they have agreed to accept the qualifications of the School of Mines. The school being a new one, of course, the departments as well as the outside public naturally want to see what sort of men the school is turning out. It is only in its 3rd or 4th year. We have been negotiating with the Railway Department recently and for some of their

appointments, I cannot for the moment say which of them, they have agreed to recognise the certificate or the diploma of the School of Mines.

398. *Mr. Das.*—Do you arrange for the necessary practical training for your own boys?

*Mr. Tin Tut.*—Practical training is compulsory.

399. *Mr. Roy.*—You do not guarantee any appointments?

*Mr. Tin Tut.*—No.

*Colonel Gidney.*—I admit they are prepared to recognise your training but they do not accept your boys for appointments.

*Chairman.*—It is rather difficult to follow this matter up and I would suggest to Colonel Gidney that it might be more appropriately dealt with by a question in the Assembly.

*Colonel Gidney.*—I have asked it. I bow to your decision.

#### GRANT 71—Stationery and Printing.

400. *Chairman.*—Paragraph 58 of the Auditor General's letter. "I would suggest that the Managers would show better results in the way of control if they acted on the advice of the Pay and Accounts Officer." There is no query raised there.

*Sir Frederic Gauntlett.*—It will appear from the notes that the Pay and Accounts Officer made certain suggestions which were not followed and the results have proved that the Pay and Accounts Officer's suggestions were justified.

*Mr. Tin Tut.*—That is so, but since then orders have been issued to the Managers that if in any particular case they cannot accept the views of the Pay and Accounts Officer they must report to the Controller of Printing and Stationery for orders. They cannot now reject the advice of the Pay and Accounts Officer without reference to higher authority.

401. *Chairman.*—I think that goes some way to meet your comment. Then we turn to page 390 of the report, sub-head M. 8 "The Public Accounts Committee may care to examine the rules governing the provision for depreciation. If they admit of so large a variation between estimate and actuals, they would seem to be defective. Sub-head O. 8 suggests a similar doubt."

*Sir Frederic Gauntlett.*—Mr. Rajagopalan has just told me that revised rules were issued in August 1928.

*Mr. Rajagopalan.*—Yes, Sir, they will have effect from 1928-29 and I think these will improve matters. The depreciation fund was started only a few years ago and they have not had time to get on to it properly. The procedure was not fixed. The new orders were issued after the close of the year under review and it is hoped the accounts of 1928-29 will show an improvement.

*Chairman.*—We must assume that the rules that are now issued are proper rules.

*Mr. Rajagopalan.*—They have been issued with the approval of the Auditor General and the Government of India.

*Chairman.*—Then they must be proper rules. (Laughter):

402: *Maulvi Abdul Matin Chaudhury.*—Page 389 of the report—note to K.-1. 3 “Due to employment of men on less than the minimum pay of the scale”. Note to M. 3 “Largely a consequence of the discontinuance of the grant of overtime allowance to the staff.” Does it mean that the Industries Department is sweating their labour?

*Mr. Gregory.*—The men were taken on a temporary basis for a short period on less than the minimum scales of the pay of the post.

*Mr. Neogy.*—Is this usually done?

*Mr. Gregory.*—Not usually done but in exceptional cases.

403. *Maulvi Abdul Matin Chaudhury.*—What about the discontinuance of the grant of overtime allowance to the staff?

*Mr. Gregory.*—The Managers do not as far as possible allow overtime where they can possibly avoid it. They do not keep overtime if the work could be done within a specified time.

*Mr. Shervani.*—If they work overtime do they get allowance?

*Mr. Gregory.*—Yes.

*Mr. Shervani.*—You say discontinuance.

*Chairman.*—It does not mean that the provision of overtime allowance was abolished but that nobody worked overtime?

*Mr. Gregory.*—Yes, nobody worked overtime.

404. *Mr. Neogy.*—Will you please see item N. 1 (1) on page 390 which reads “Due to the appointment of men on pay lower than the sanctioned scale.” The Department of Industries and Labour does not seem to be setting a good example to other employers of labour?

*Mr. Tin Tut.*—We have had occasion to appoint men on a temporary basis on rates of pay which may in some cases be a little lower than the minimum of a time scale.

*Mr. Neogy.*—Is this usually done on the case of very small salaries?

*Mr. Tin Tut.*—We have had recourse to it occasionally. It is a matter of Rs. 500 in this particular year.

*Mr. Shervani.*—That does not matter. We are concerned with the principle.

*Mr. Neogy.*—Does this relate only to officiating appointments?

*Mr. Tin Tut.*—Entirely to temporary and officiating appointments.

405: *Mr. Das.*—In your department, do you purchase your stores yourself or through the Indian Stores Department?

*Mr. Gregory.*—We buy articles ourselves except those which we are not specifically allowed to purchase except through the Indian Stores Department.

406. *Maulvi Mohammed Yakub*.—Do you find purchases through the Indian Stores Department cheaper than if you make purchases directly ?

*Mr. Gregory*.—I cannot reply to that for the time being. I have not enough experience to say whether it is more profitable to purchase through the Indian Stores Department.

*Maulvi Mohammad Yakub*.—Do you find it more profitable and more convenient to purchase directly ?

*Mr. Gregory*.—I am afraid I cannot answer that.

*Mr. Tin Tut*.—I have to mention that the Controller of Printing and Stationery, who is alone competent to answer this question is down with ptomaine poisoning and that he has in consequence been unable to come before the Committee.

*Maulvi Muhammad Yakub*.—I want to put the general question whether you find it more profitable to place your orders directly ?

*Chairman*.—We shall not get a useful answer to that question from the witness.

*Mr. Roy*.—What about purchases for the printing presses ?

*Chairman*.—We have nobody before us who is qualified to give a useful answer to that question. We must leave the matter to the general inquiry.

407. *Mr. Neogy*.—Will you refer to page 414 of the Report ? It is stated there that “ the statements relating to the Central Publication Branch, Calcutta, have not been exhibited in the Appropriation Accounts, as they were not submitted in time to the Examiner, Government Press Accounts for audit ”. What is the reason for this laxity ?

*Mr. Tin Tut*.—It is due to a combination of unfortunate circumstances. The figures for the statement relating to the Central Publication Branch have to be taken from 50,000 vouchers and therefore involve very heavy work. The delay in the preparation of the statements for 1927-28 was due to the fact that the system followed in that Branch of compiling figures from the stock ledgers showing receipts and issues under different heads was held under objection by the Examiner of Government Press Accounts and suggestions were made to complete the figures direct from the issue vouchers. The revised instructions were received by the Central Publication Branch only towards the end of September 1928. The statements have been prepared since.

*Sir Frederic Gauntlett*.—The delay in this case has been unusual.

*Mr. Neogy*.—It is not likely to recur ?

*Mr. Tin Tut*.—There is no reason why it should recur.

*Chairman*.—We must be content with that assurance,

The witnesses then withdrew.



**Evidence taken at the eighth meeting of the Public Accounts Committee held on Friday, the 16th August 1929 at 2 p.m.**

**PRESENT :**

(1) The Hon'ble Sir GEORGE SCHUSTER,	Chairman.
(2) Mr. T. A. K. SHERVANI,	} Members.
(3) Mr. B. DAS,	
(4) Mr. S. C. MITRA,	
(5) Kumar GANGANAND SINHA,	
(6) Maulvi ABDUL MATIN CHAUDHURY,	
(7) Mr. K. C. NEOGY,	
(8) Maulvi MOHAMMAD YAKUB,	
(9) Mr. K. C. ROY,	
(10) Sir FREDERIC GAUNTLETT, Auditor General,	} Were also present.
(11) The Hon'ble Mr. E. BURDON, Financial Secretary,	
(12) Mr. J. E. C. JUKES, Controller of Civil Accounts,	
(13) Mr. O. A. TRAVERS, Accountant General, Central Revenues,	
(14) Mr. B. NEHRU, Deputy Auditor General,	} Witnesses.
Mr. A. M. ROUSE, Chief Engineer, Delhi,	
Mr. A. BREBNER, Superintending Engineer, Simla Imperial Circle,	
Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department,	
Mr. V. NARAHARI RAO, Under Secretary, Foreign and Political Department,	
Rai Sahib CHUNI LAL, Foreign and Political Department,	
Rai Sahib RAMA NAND, Foreign and Political Department.	

**GRANT 22—IRRIGATION.**

408. *Chairman.*—Please refer to paragraph 24 (c) of the Auditor General's letter which refers to Serial No. 9.

*Sir Frederic Gauntlett.*—This is merely a statement of facts.

409. *Chairman.*—Your other comment on the Irrigation Department is in paragraph 30 of your letter with reference to Grant No. 22.

*Sir Frederic Gauntlett.*—The whole of these accounts are very considerably complicated by the decision which was come to to make certain adjustments of the cost of certain canals outside the Government accounts, merely in the administration accounts, whereas the budget contemplated that the adjustments will be made in the accounts themselves. The amount involved is quite large and the result is that it throws out very considerably the whole of these Irrigation accounts.

*Chairman.*—Can we do anything about that now ?

*Sir Frederic Gauntlett.*—I have only explained the cause of the confusion in the accounts throughout. It affects both Grant No. 22 and Grant No. 86.

*Sir Frederic Gauntlett.*—Page 113. Grant 22. C. 2 1 (1). This item has, of course, raised the point that the budget should ordinarily be prepared on the lines on which the accounts will eventually be compiled. This is a very unusual transaction and it is hardly possible to generalise with regard to a matter so complicated as that. Do you not agree to that Mr. Brebner ?

*Mr. Brebner.*—I do.

410. *Kumar Ganganand Sinha.*—What do you mean by “petty works” in C. 2 1 (2) ?

*Mr. Brebner.*—As a matter of fact, these are affected by the confusion referred to by Sir Frederic. It seems that working expenses under C. 1 (1) and (2) were increased by Rs. 17,000 and Rs. 99,000 respectively, whereas under C. 2 1 (1) and (2) they were correspondingly reduced.

*Chairman.*—That does not carry us very much further. But I don't think the matter is of sufficient importance to pursue it any further. As far as I am concerned I do not want to ask any more questions. We have got more important things to deal with.

411. *Mr. Das.*—May I know if you have got your Irrigation, Navigation, Embankment and Drainage works under the same officer or have you got different officers for different headings ?

*Mr. Brebner.*—They are all under the same officer. We have only one officer to look after everything.

412. *Mr. Das.*—I am asking this question because your Consulting Engineer (Mr. Harris) was a member of the Orissa Floods Committee and he has recommended certain things and he wants that the Embankment should be separated from the Irrigation, so that direct attention should be paid to the Embankments and Drainage. Have you had the opportunity of looking into the report of that Committee ?

*Mr. Brebner.*—I discussed it with Mr. Harris ; but the remarks of his to which you refer had relation to the staff of the Local Governments and not to the staff of the Central Government.

*Mr. Das.*—Do you mean to say that the Drainage works that are under you, whether in the N.-W. F. P. or Baluchistan, are so nicely looked after that they do not enhance the causes of floods ?

*Mr. Brebner.*—We really have no large Drainage works in either of these places.

*Sir Frederic Gauntlett.*—The fact of the matter is that you have no serious danger of floods such as those that occur in Orissa, where it is a regularly recurring problem. I do not think there is anything parallel to it in the N.-W. F. P.

*Chairman.*—I suppose we should have Mr. Harris here to reply to such questions.

*Mr. Brebner.*—Mr. Harris is much more competent than I am to advise you on this subject, but I think there is no doubt that problems of the nature referred to do not occur either in Baluchistan or in the N.-W. F. P.

413. *Mr. Mitra.*—C. 21 (2). I find that the original grant was Rs. 1,69,000 which was reduced to Rs. 66,000 ; yet Rs. 99,000 remains uncovered. I cannot quite follow this.

*Sir Frederic Gauntlett.*—Here again it is correct to say that it is due to the very complicated nature of the adjustment. The grant was reduced because a credit of Rs. 99,000 was expected to be adjusted to this head by reduction of expenditure. Had the adjustment been made there would have been nothing to call attention to. It was because an anticipated adjustment was not made that this excess remained uncovered ; and the adjustment is all mixed up with the big one to which I called attention.

414. *Chairman.*—Would it be possible to have these accounts prepared in a simpler way which would be intelligible on the face of it.

*Sir Frederic Gauntlett.*—We are always prepared to consider any recommendations that may be made. We have been for the last 7 or 8 years constantly modifying the form of these accounts trying to make them more elaborate and to have the explanations cleared up. If we had, however, tried to give an explanation of a complicated adjustment such as set out there, it would have taken 2 or 3 pages.

415. *Mr. Neogy.*—Page 114, Item D. 2 (1). I suppose the money was first of all voted by the Assembly and later on it was decided that it should be treated as non-voted. Is that the position ?

*Sir Frederic Gauntlett.*—This remark would not have been made if it had not resulted in a change in the classification.

*Chairman.*—There are several more of these comments of the Auditor General on various points. Sir Frederic Gauntlett has not marked them as of special importance but if any member wishes to ask some questions about them he is at liberty to do so.

416. *Kumar Ganganand Sinha.*—I cannot follow D. 1 (1) mentioned in sub-paragraph (d) of paragraph 30 of the Auditor General's letter.

*Mr. Travers.*—This is merely due to leave given to officers who go to England. The High Commissioner sends a statement once a year showing the distribution. The statement was received too late to enable the A. G., Punjab, to make the adjustments in the accounts that year.

*Sir Frederic Gauntlett.*—It depended entirely on the fact that in this particular year the statement came too late.

*Mr. Travers.*—For two years running it has been so.

*Sir Frederic Gauntlett.*—I ought to explain that my comments were made under very great pressure. I did the whole of it within 24 hours and it is done up here whereas the Accountant General is down in Delhi. Besides it is a matter of great urgency to get it printed. Some of my comments would have been very much more illuminating and accurate if I had had an opportunity of consulting the Accountant General, Central Revenues. It is however literally impossible to do so in the time that is given to me.

417. *Mr. Mitra.*—Please refer to page 117. There is a saving of Rs. 2,80,000. May I call attention of the Committee to this.

*Sir Frederic Gauntlett.*—That, again, has been a customary feature of almost every Irrigation budget throughout India.

*Maulvi Mohammad Yakub.*—Is not the Irrigation Department a very old and settled department ?

*Sir Frederic Gauntlett.*—That is undoubtedly so.

*Maulvi Mohammad Yakub.*—In the case of a new department like the Stores Department one can very well understand the over-budgeting because of its newness but why should there be an over-budgeting in the case of an old department ?

*Mr. Brebner.*—I am afraid there were many reasons for this excess. In one case there is a large sum under pensionary charges. We were led to believe that we would have to meet these but eventually we found that we need not do so.

*Maulvi Mohammad Yakub.*—What led you to believe that you will have to bear those expenses ?

*Mr. Brebner.*—I understand that we were informed by the Accountant General that they would have to be met by us.

*Mr. Mitra.*—Do you agree that there is a necessity for a larger cut. I find that there was an over-budgeting last year to the extent of 3 lakhs and also year before last to the tune of 4 lakhs. So every year it is 3 or 4 lakhs over-budgeting. Is it not possible to have a larger lump cut ? That is only a suggestion.

*Mr. Brebner.*—I see no objection to a large lump cut.

*Chairman.*—That point should be considered for the future.

418. *Kumar Ganganand Sinha.*—Item 5 under the heading "Observations", page 119 of the report. Could you explain this a little further.

*Mr. Brebner.*—In the year in question stock to the value of Rs. 700 was used up, and this year the local authorities expect to use up a further amount of stock to the value of Rs. 2,000. As regards the rest, the Chief Engineer has circulated information to the different Engineers on the Frontier and asked them whether any of the materials left would be of any use to them.

#### GRANT 69—CIVIL WORKS.

419. *Chairman.*—We will now come to Grant No. 69—Civil Works. Paragraph 24 (d) of the Auditor General's letter. Serial No. 13 on page 34 of the Accountant General's Report. Have you anything to say about it ?

*Sir Frederic Gauntlett.*—It is true that Fundamental Rule 45 has at length been redrafted and the Supplementary Rules have been published and now all my Accountants General are very hard at work applying the Supplementary Rules which have now been finally published to the various rentals that have been charged for some years past and trying to determine how much has to be refunded or how much has to be recovered. Some persons have already received refunds. The position is that the rules are out now and the Audit officers at length are in a position to re-audit all the payments that have been made since the date with effect from which the rules have been brought into force.

420. *Mr. Roy.*—I should like to know what is the net result of the change under Fundamental Rule 45.

*Sir Frederic Gauntlett.*—It is quite impossible to say at present until all the bills which have been presented since 1st April, 1924, are re-audited.

421. *Mr. Roy.*—What is the effect on the value of Government properties of the promulgation of this rule ?

*Mr. Brebner.*—It does not affect the value as regards the sale price in the market. It simply means that we get in some cases more, and in some cases less rent than we did before.

422. *Mr. Roy.*—Where a house fetched a rent of Rs. 4,000 before it has now been reduced to Rs. 1,400. Is that correct ?

*Mr. Brebner.*—I should not like to commit myself to definite figures. I hardly think that the difference would be so great as that.

*Mr. Roy.*—What about Knoekdrin ?

*Mr. Brebner.*—I think the rent of Knoekdrin previously was less than Rs. 4,000 and is now more than Rs. 1,400.

*Mr. Roy.*—How much is that ?

*Mr. Brebner.*—I cannot give the figures.

*Mr. Roy.*—Don't you think that this has under-valued the whole of the properties in Simla ?

*Mr. Brebner.*—It has had no effect on the value of the properties. All that has happened is that we are now limited to charging rent for the period of occupation.

*Mr. Roy.*—What about Mr. Patel's house ? To the best of my recollection it used to be 3,500, and you are now getting Rs. 1,200.

*Mr. Brebner.*—That is the amount of rent that we recover.

423. *Mr. Roy.*—Do you know that this under-valuation of Government properties has affected the private estates in Simla ? You are a Municipal Commissioner. You can give me an answer.

*Mr. Brebner.*—I am not prepared to agree to such a statement. Properties in the centre of Simla fetch as much rent as they did 5 or 10 years ago but certain properties in the outlying parts do not let as readily now as formerly.

*Maulvi Mohammad Yakub.*—In any case Government are losing.

*Chairman.*—We are not really concerned with the merits of the plan on which these rents are fixed.

*Sir Frederic Gauntlett.*—The present principle was laid down by the Lee Commission and was accepted by the Secretary of State. Rules have now been made to give effect to the decision of the Secretary of State.

*Mr. Roy.*—The net result has been loss of Government revenue and the under-valuation of Government properties has also affected private estates in Simla.

*Chairman.*—I should think it would be difficult to arrive at the effect on other property in Simla and I do not think we are really concerned with it. The idea was to make certain concessions to Government officers.

*Mr. Roy.*—I am quite satisfied with the answer.

424. *Maulvi Mohammad Yakub.*—Do the same rules apply to the houses in New Delhi also?

*Mr. Rouse.*—Yes.

*Maulvi Mohammad Yakub.*—Their rents also have been diminished?

*Mr. Rouse.*—They have not been diminished.

*Mr. Brebner.*—Not all the rents in Simla have been reduced. Only some have been reduced.

*Maulvi Mohammad Yakub.*—What is the criterion?

*Sir Frederic Gauntlett.*—It depends on the conditions which obtained when the house was built. A different basis is taken now from the basis that was taken before. Mr. Brebner will explain the details.

*Mr. Brebner.*—I will give you an instance of a block of houses the rents of which have not been reduced. On the south side of Simla there are several European clerks' quarters which were purchased by Government 25 or 30 years ago. In calculating the rent of these quarters so much is allowed for interest and so much for maintenance. On property which we owned prior to 1917 we charge interest at the rate of  $3\frac{1}{2}$  per cent. On anything that we acquired or constructed after that date we charge a higher rate of interest. The block to which I am referring has been owned by us for nearly 30 years. Therefore in calculating rents on it we allow  $3\frac{1}{2}$  per cent. for interest plus an amount for repairs, and the result is that the people living in these quarters have received no benefit from this concession.

*Maulvi Mohammad Yakub.*—What about Delhi houses? Why have the rents not been diminished there?

*Mr. Rajagopalan.*—They have all been constructed very recently when the rate of interest was comparatively high. Therefore we have to take the modern basis of calculation.

*Mr. Rouse.*—We have not yet made the final calculations, but very few, if any, refunds will be made in Delhi as far as I can see at present.

425. *Colonel Gidney.*—What is the total loss of revenue to Government on these re-assessments?

*Mr. Rajagopalan.*—It is impossible to say, Sir. We have not finished all our calculation. It will take some time.

426. *Chairman.*—I think we had better now turn to Grant No. 69—paragraph 56 of the Auditor-General's letter. I would like to start taking the subparagraphs of the Auditor-General's letter which he himself has told us he regards of special importance. He has drawn our special attention to (h), (j), (l), (m) and (n).—

“(h) Pages 366 and 367.—The Public Accounts Committee will doubtless examine these paragraphs with reference to the observations of

their predecessors contained in paragraph 57 of their report on the accounts for 1926-27." Paragraph 2 on page 366 of the Accountant General's Report runs — "In paragraph 72 of the previous year's report it was mentioned that the audit objection in regard to—

- (1) Losses or risk of loss in connection with the rents of residential buildings, etc., and
- (2) Deviation from the Statutory Rules in fixing rents of residences, remained unremedied as the Supplementary and Financial Rules as well as administrative orders thereunder had not been issued. The Supplementary Rules and other orders thereunder have not yet been issued and therefore the objection still remains unremedied. It is understood however that Government are doing all they can to hasten the issue of the Supplementary Rules."

*Sir Frederic Gauntlett.*—These Supplementary Rules have been issued since that was written and the work is now in hand.

*Chairman.*—Does that dispose of that comment ?

*Sir Frederic Gauntlett.*—Not by any means. All that I suggested was that the effect of the Supplementary Rules might receive the consideration of the Committee. They have already taken it up. Paragraph 3 deals with a matter which has not yet been specially referred to and perhaps Mr. Brebner might wish to make some comments upon that.

427. *Chairman.*—Paragraph 3. "In paragraph 73 of the previous year's report, the recurring loss due to the provision of residences in Simla for the members of the Indian Legislature was brought to notice. The Secretary of State has decided that all members of the Indian Legislature, official and non-official, should be charged the standard rent under Fundamental Rule 45-A, for the quarters provided for them."

*Mr. Brebner.*—As Sir Frederic indicates, there is still considerable loss on these quarters, and the suggestion contained in this paragraph is that the members of the Legislature should be charged rent calculated under Fundamental Rule 45-A and be subject to the same restrictions as Government officials are. You will find at the end of the paragraph the following : "It was suggested that as members are now given the benefit of revised Fundamental Rule 45-A, it would not be unreasonable to expect them to conform to the conditions of allotment imposed on officials." We have losses in Longwood and elsewhere owing to the fact that members take quarters for the period of the session, come up and throw them up after residing in them for 2 or 3 days only. In the meantime, we have turned out to make way for these members, officers who would have liked to remain for the rest of the season.

428. *Chairman.*—Would you like to ask members whether they have got any suggestions to make for remedying this evil ?

*Maulvi Mohammad Yakub.*—When a quarter has once been taken over by a member, don't you charge him the rent for the whole season whether he occupies it or not ?

*Mr. Brebner.*—I try to,

*Maulvi Mohammad Yakub.*—It is in our rules.

*Mr. Brebner.*—That rule is not enforced. That is my difficulty.

*Chairman.*—Whose fault is it?

*Mr. Brebner.*—I think the members themselves object to it, and no pressure is brought on them.

*Maulvi Mohammad Yakub.*—Can you quote instances where a member, after occupying a quarter for 2 or 3 days, left it, and was asked to pay and refused?

*Mr. Brebner.*—I could quote many instances if you give me time to produce the figures.

*Maulvi Mohammad Yakub.*—We would like to have the instances.

*Mr. Brebner.*—I have in mind the case of a member of this very Committee who applied for rooms for the period of the Committee's sittings this year. I allotted him a room for that period, and only yesterday had a letter from him in which he stated that he was vacating the room and would not accept responsibility for rent after vacation.

*Maulvi Mohammad Yakub.*—You do not give the quarter for the whole session. That is the whole difficulty.

*Mr. Brebner.*—I gave it for the period of this Committee. I do not control the allotment of quarters during the session.

*Maulvi Mohammad Yakub.*—The difficulty arises on account of this dyarchy.

*Mr. Mitra.*—In this particular case, he is asked to vacate before the Committee finishes.

*Maulvi Mohammad Yakub.*—I was asked to vacate the quarter before the Committee finished. The Committee sits up to the 31st.

*Mr. Brebner.*—Might I make the suggestion that the Legislative Assembly Department be asked to make allotment of these quarters to members who want them for periods during which Committees sit because so long as I make them for such periods and the Legislative Assembly Department make them for periods of the session there is bound to be confusion.

*Mr. Mitra.*—We do not understand why the Legislative Assembly Department should not take up the allotment both for Committees and for the session. I approve of this suggestion.

*Maulvi Mohammad Yakub.*—I also wrote to the Secretary of the Assembly asking why there should be this dyarchy. The quarters should be handed over permanently either to the Public Works Department or to the Assembly Department.

*Mr. Brebner.*—Last year it was decided that a Committee should be appointed of members of the Legislature to discuss these matters and draft rules. During the winter session of the Legislature I tried without success to get the Committee appointed. I am taking the matter up again now and hope that it will be possible to get something done during the coming session.



*Maulvi Mohammad Yakub.*—In fact, a Resolution was moved by Sir Hari Singh Gour in the Assembly to this effect.

*Kumar Ganganand Sinha.*—A Committee was actually formed for one year but they did not meet.

*Maulvi Mohammad Yakub.*—We have got a House Committee for Delhi, but that Committee has nothing to do with the letting of houses. That Committee only discusses about the construction of quarters, etc.

*Chairman.*—Is it the general view that Mr. Brebner's suggestion would help in this matter ?

429. *Mr. Shervani.*—I presume only rooms in the new block are available for the members even now ?

*Mr. Brebner.*—No. All the rooms with the exception of the rooms in the old block are available for members.

*Maulvi Mohammad Yakub.*—They are the more convenient rooms.

*Mr. Shervani.*—That is our complaint.

*Mr. Brebner.*—At the time the division was made we were assured that the distribution which we proposed was one which would meet with the acceptance of the members.

*Maulvi Mohammad Yakub.*—By whom were you assured ? Have you been the rooms in the new block ?

*Mr. Brebner.*—I have.

*Maulvi Mohammad Yakub.*—Only one room without any dressing room and without any ventilation !

*Mr. Brebner.*—Many members prefer them.

*Maulvi Mohammad Yakub.*—It may suit some, not many.

*Mr. Shervani.*—Are they allowed the use of the dining room even now in the Longwood Hotel ?

*Mr. Brebner.*—Those who wish to take meals from the caterer, that is those who live in un-orthodox fashion, are allowed the use of it.

*Mr. Shervani.*—I suppose you do not allow anybody in the Longwood Hotel who does not take his food there ?

*Mr. Brebner.*—That is not correct.

*Mr. Shervani.*—Last year I was told so definitely.

*Maulvi Mohammad Yakub.*—You have a separate dining room for the members of the Assembly. They are not allowed to take their food in the main dining room ?

*Mr. Brebner.*—Oh yes, they are.

*Mr. Shervani.*—Not last year.

*Maulvi Mohammad Yakub.*—I was also there for a few days and I had to shift to the Range.

*Mr. Brebner.*—I was not here last year ; I cannot say what happened then.

*Mr. Shervani.*—The general complaint of the members is that there is differential treatment in the Longwood Hotel and therefore they do not like to reside there.

*Maulvi Mohammad Yakub.*—Even the members do not get the same food which the permanent residents get.

*Mr. Brebner.*—They are under a different contract.

*Maulvi Mohammad Yakub.*—What do you mean by a “different contract”? We have the same caterer.

*Mr. Brebner.*—You need not have the same caterer.

430. *Mr. Roy.*—Am I right in my assumption that the Longwood Hotel was acquired for the purpose of accommodating members of the Central Legislature?

*Mr. Brebner.*—Partly for that.

*Mr. Roy.*—Was not the amount required for the acquisition of this property shown under the heading “Legislature” in the Budget itself?

*Mr. Brebner.*—The acquisition was made so long ago that I cannot be certain.

*Mr. Shervani.*—If it is a fact, will you give the best rooms to the members of the Assembly?

*Mr. Brebner.*—I think, at present, we do.

*Chairman.*—I think we are rather getting off the point. This question came up in connection with the recurring loss to Government due to the provision of residences in Simla for the members of the Indian Legislature. We are now discussing the amenities of the members.

*Maulvi Mohammad Yakub.*—Members of the Legislative Assembly are suffering on account of the inconvenience of the accommodation.

*Chairman.*—If Mr. Brebner's suggestion of a Committee is followed up, the question can be threshed out.

*Maulvi Mohammad Yakub.*—No single member can have one double cottage.

*Mr. Brebner.*—At times he can.

*Chairman.*—I really must stop this discussion.

431. *Mr. Neogy.*—I am taking Mr. Brebner on the note on page 367, paragraph 3: “The total deficits on the last 7 years' working of the Longwood Hotel and on 4 years' working of the orthodox members' quarters amount to Rs. 1,45,089 and Rs. 69,620 respectively”. Is this loss of Rs. 1,45,000 on the Longwood Hotel ascribed exclusively to the members of the Legislature?

*Mr. Brebner.*—Not exclusively.

*Mr. Neogy.*—Then?

*Mr. Brebner.*—Very largely.

*Mr. Neogy.*—This paragraph deals with the question of the loss incurred on the provision of quarters for the use of the members of the Legislature. If a part of this loss is to be ascribed to people other than members of the Legislature, that ought to be divided.

*Mr. Brebner.*—I do not think it would be possible to make such a division accurately. There is not the slightest doubt that we can fill Longwood and keep it full for the greater part of the year were it not for the fact that Government officials have to be turned out to make way for members of the Legislature. Therefore it is fair in one sense to ascribe most of the loss to the members of the Legislature.

432. *Mr. Neogy.*—Are you quite sure that you get an economic return so far as the accommodation which you give to the officials is concerned?

*Mr. Brebner.*—What do you mean by “economic”?

*Mr. Neogy.*—You show this as the loss. Are you quite sure that you make a profit on the officials or that the officials pay their way?

*Mr. Brebner.*—I cannot say what these figures purport to represent.

*Sir Frederic Gauntlett.*—I think the position as set out here is quite clear from the accounts' point of view. There is a block of buildings called Longwood, and an account is kept to show the exact cost of maintaining and running that block of buildings. The total loss on that block of buildings during that period is the figure set out there. We are not concerned at all with whether the buildings are let to members of the Legislature or to officials. We merely take the block of building and show the loss on it as so much. It is perfectly true that that building was acquired primarily for the use of the Legislative Assembly and I believe I am correct in stating that it was only because it was found that the members of the Legislative Assembly would not require a part of the building for any part of the year and the other part of the building for more than a month in the year that an attempt was made to let Longwood to officials.

433. *Mr. Neogy.*—If it has been found possible to separate a particular block altogether and reserve it for the occupation of officials, is it not possible to have separate accounts showing the losses sustained under each head, namely, the officials and the members of the Legislature?

*Sir Frederic Gauntlett.*—If in fact one portion of the total building is set aside entirely for officials, that theoretically would be possible.

*Maulvi Mohammad Yakub.*—The main block is entirely for the use of the officials. It is possible to keep a separate account of the loss on that block.

*Mr. Brebner.*—That will make matters appear worse from the point of view of members.

*Chairman.*—You mean the loss over the residences of members of the Indian Legislature will be greater than the figure set out here?

*Mr. Brebner.*—Proportionately, yes. At present the loss does not appear so bad, because the figures are combined with those of the old block. I do not say that we make a profit on the old block but the loss there is not anything like so great as it is in the quarters set aside for the use of members.

*Mr. Mitra.*—There is a loss ?

*Mr. Brebner.*—Yes.

*Mr. Mitra.*—This loss is attributed to the residence of the members of the Indian Legislature. That is not correct.

*Mr. Brebner.*—You can say “mainly”.

434. *Mr. Mitra.*—You say here ; “It has been decided that the explanation of the principles of allotment contained in the circulars to members is sufficient and no further rules are necessary”. Then why are you stressing this point here ? Is it not correct ? Do you dispute that ?

*Mr. Brebner.*—That is quite correct if it is put into practice. But the trouble is that it is not put into practice.

*Chairman.*—The difficulty is to enforce the rule ?

*Sir Frederic Gauntlett.*—All the questions which are now being discussed are strictly *ultra vires* of this Committee as being outside the financial effect.

*Mr. Neogy.*—I suggest that so far as the accounts of the Longwood are concerned, they might be split up into two heads. That is not beyond the scope of this Committee.

*Chairman.*—Sir Frederic Gauntlett said “outside the financial effect.”

435. *Colonel Gidney.*—Does this include a reference to the Western Hostel at Delhi too ? Have any losses been incurred on residential quarters in the Western Hostel ?

*Mr. Rajagopalan.*—They are referred to in some other paragraph.

*Chairman.*—This paragraph deals with residences in Simla. Referring to Mr. Brebner’s suggestion, we can say that the Committee would like a recommendation to be made as regards the appointment of a Committee of the Legislature to consider the allotment of residences in Simla.

*Mr. Brebner.*—It has already been decided that such a Committee should be appointed but no effect has been given to the decision.

*Chairman.*—We can say that we would like to see that decision given effect to.

436. *Chairman.*—Now we will get along with the next paragraph (1). Pages 372 and 373—paragraph 12, relating to disregard of financial interests of Government in making contracts. “It is desirable that orders should be passed at an early date on this old case. The strictures of the departmental Accounts officer seem to have been fully justified and the delay in the Chief Engineer’s office seems to call for explanation.” I think, Sir Frederic, you mentioned this as a serious case of delay in giving effect to the orders.

*Mr. Rajagopalan.*—I may mention that the Government of India have passed orders as regards the question of delay. The orders of the Government of India read as follows :—

“The Chief Engineer has regretted the delay in disposing of audit objections in this case and he has assured the Government of India that he and his officers are doing their best to dispose of audit objections with the least dislocation of work possible.”

*Chairman.*—It would perhaps be a more satisfactory assurance if it had been “very little delay” instead of “the least possible delay.”

*Mr. Rouse.*—The officers in Delhi have a very hard job and they are all overworked and they have always many matters to dispose of besides audit objection. We have had to clear off heavy arrears of such objection.

437. *Sir Frederic Gauntlett.*—Might we know when the orders were finally issued?

*Mr. Rajagopalan.*—The final orders issued on 30th April 1929, and the original orders of the Government of India were issued on 9th September 1926.

*Sir Frederic Gauntlett.*—The delay I was calling attention to was in the office of the Chief Engineer from 9th September 1926 to the 20th March 1928, a delay of 17 months.

*Chairman.*—Which particular case is that?

*Mr. Rajagopalan.*—It refers to the first paragraph on page 373. I think I might mention to the members of the Committee who were present at the discussions last year and the year before that the Chief Engineer had to answer for several hours at a stretch on alleged irregularities about the stone yard, the marble accounts and so on. The fact is that the accounts organisation in the beginning of the project was not sufficient and it was recognised that the Chief Engineer had not adequate assistance in disposing of financial matters. The thing being a project that does not close once and for all, all the irregularities are carried over from year to year, with the result that the Chief Engineer has been doing his best to answer the objections which unfortunately have been piling up. I must plead guilty because as an internal checker I have been worrying him quite sufficiently, and I must say that he is trying to do his best.

*Chairman.*—Then, the defence is getting a little weaker; he says he is doing his best and you are saying, he is trying to do his best.

*Mr. Rouse.*—When I took over this job in 1925, the whole system of accounts and audit was altered and since then I have had to answer an enormous number of enquiries into these matters. We are now getting square, but it has meant an enormous amount of work for all concerned, and especially to the executive officers who are trying to keep the work going simultaneously.

438. *Chairman.*—Will you agree, Sir Frederic, that there is a sign of improvement?

*Sir Frederic Gauntlett.*—I should prefer to answer that after all the cases of delays are answered.

439. *Chairman.*—What are the other cases of delay referred to?

*Sir Frederic Gauntlett.*—They are referred to in paragraphs (l), (m) and (n).

440. *Chairman.*—We have dealt with paragraph (l). Now we will proceed to paragraph (m), ‘Incorrect certificates furnished to an Accounts Officer.’ “Audit requested the Accounts Officer on 31st August 1927 to explain why the assessment of rent escaped notice for so many years. Final reply of the Accounts Officer is still awaited.” May I know if there has been no reply?

*Mr. Rajagopalan.*—The case has been disposed of since. It was found that the whole thing started from a misconception. The Executive Engineer

responsible reported a number of buildings as rentable which were not really rentable. These were being used from 1921 onwards and the report of the Executive Engineer was not made till 1926. The facts had got pretty foggy. Such old things have been giving trouble from 1924 onwards. But now we have got a Pay and Accounts Officer to pre-serutinise every transaction. 'It is really these old cases which refer to the early stage of the project that caused trouble.

*Chairman.*—Have they been disposed of since?

*Mr. Rajagopalan.*—They have been disposed of since. The amount involved is comparatively petty.

*Sir Frederic Gauntlett.*—When was the final assessment?

*Mr. Rajagopalan.*—Last week, we disposed of the question of three quarters. The amounts involved are all very petty. Some sheds are valued at Re. 1 per month.

*Maulvi Mohammad Yakub.*—The question is one of principle.

*Mr. Rajagopalan.*—The Executive Engineer reported certain facts relating to 1921, in 1926. That Executive Engineer happened to retire shortly afterwards and Mr. Rouse had to investigate the facts himself.

*Chairman.*—At any rate the case has been settled.

*Mr. Rouse.*—The amount has been written off.

*Mr. Rajagopalan.*—Because the amount was not recoverable legally.

441. *Chairman.*—Might we turn to the next item, paragraph 56(n): 'Irregularities in the employment of work-charged establishment.' It seems to me a case of irregularity continuing.

*Mr. Rajagopalan.*—I believe it is in process of regularisation.

*Mr. Rouse.*—It was really a question as to whether these people were properly chargeable to works or to establishment. A very large number of them are men who do work properly debitable to works, such as time-keepers and other class of persons whose primary duties do not constitute a full day's work and they have therefore been employed in the office as well. I have gone into all the cases of such establishment in every division and the principle I am now following is that if I find that the major portion of their work is clerical their pay is charged to establishment and if the major portion of their work is chargeable to works, they are classed as "Work Charged Establishment". I have put the whole case before the Government of India.

442. *Chairman.*—Does that complete your list of cases of delay, Sir Frederic.

*Sir Frederic Gauntlett.*—No, Sir, there is another Grant altogether, that is the New Delhi Capital outlay. Paragraph 79 of the letter.

#### GRANT 92—DELHI CAPITAL OUTLAY.

443. *Chairman.*—At page 654, it is said: "In the report on the Appropriation Accounts for 1924-25, it was brought to notice that an unusually large shortage was found in the stores of a Public Works division in May 1925 (when the charge of stores was transferred from one storekeeper to another)." Have final orders been issued?

*Sir Frederic Gauntlett.*—Final orders are awaited.

*Chairman.*—What is the position as regards these orders ?

*Mr. Rajagopalan.*—Orders have been passed as regards that particular sub-paragraph. As regards petrol and kerosine oil, it is a little serious and the matter is under the consideration of the New Capital Committee. I had the advantage of a discussion with the President of the New Capital Committee. He accepts the explanation put forward by the Chief Engineer in his memorandum submitted about the beginning of this month.

444. *Mr. Das.*—Does the Chief Engineer absolve the store-keeper ?

*Mr. Rajagopalan.*—There is no question of absolving him because the man was dismissed in the first instance and subsequently died. We are simply burying the case. It was one of a series of irregularities committed by a particular store-keeper who got dismissed on the spot. There was a full enquiry by an officer of the rank of Consulting Engineer who went into these irregularities. The audit officer as well as the accounts officer were present throughout the enquiry. The judgment passed was that the stores organisation was inadequate and that nothing could be done as the officers primarily responsible were either dismissed or had died. The irregularities relating to both petrol and kerosine oil were committed by the very same people.

*Maulvi Mohammad Yakub.*—All these relate to items 1 to 3.

*Mr. Rajagopalan.*—I will go further and explain in his favour that he fudged the entries merely to show himself well off from the accounts standpoint. He showed petrol stock on the books for several years without making any allowance for leakage.

*Maulvi Mohammad Yakub.*—What about kerosine oil ?

*Mr. Rajagopalan.*—The leakages for several years were covered up by receipts which were not entered up at the time of verification.

*Mr. Rouse.*—He was getting receipts but he did not enter them in the book. When the stores were verified he kept those receipts off his book without being verified. He had been carrying on the loss due to leakage for several years.

445. *Chairman.*—He himself was making no personal gain at all ?

*Mr. Rouse.*—I do not think he was. It was sheer stupidity.

446. *Mr. Neogy.*—Why was it that the local administration did not agree to refer this matter to the New Capital Committee as was suggested by the Accounts Officer ?

*Mr. Rajagopalan.*—It was a question of interpretation of rules. Amounts up to Rs. 10,000, they could themselves write off. Later on, the Chief Engineer came up to the New Capital Committee. They have considered the whole thing and practically come to the conclusion that if that particular gentleman had been alive and in service, they would deal very severely with him for his manipulation of accounts. Since he is dead nothing can be done.

447. *Chairman.*—What I want to get at is that this report says that final orders are awaited. Have final orders been issued ?

*Mr. Rajagopalan.*—On one particular bit, final orders were passed some months ago.

*Sir Frederic Gauntlett.*—The point is that orders were issued in February but they were not communicated to the audit officer until June, that is after this report. But in any case no orders were passed until February 1929 and the last inspection of that division was in September 1926.

*Maulvi Mohammad Yakub.*—Was only one man responsible?

*Mr. Rajagopalan.*—Two; one was dismissed and the other discharged.

448. *Chairman.*—We come to the next paragraph. "On the audit inspection of the same Stores division in October 1927, it was noticed that the store-keeper had brought to the notice of the Divisional officer in July 1926 that 3,760 tons of slack coal were short. ....". Was it a different case?

*Mr. Rajagopalan.*—It refers to a different case. One man was dismissed, the second man was transferred and then a third man came. The second man was not a regular store-keeper. When he went away sometime afterwards, a more scrupulous man came and when he started a very detailed count of the stock, he found various discrepancies in posting, etc.

*Chairman.*—Have final orders been issued?

*Mr. Rajagopalan.*—As regards the first point, final orders are still to issue. They are going to say, nothing can be done because the man is dead. On the second point orders were issued.

449. *Mr. Roy.*—Is the New Capital Committee the final authority?

*Mr. Rajagopalan.*—The New Capital Committee functions on behalf of the Government of India and orders are issued as orders of the Government of India, of the Governor General in Council.

450. *Mr. Roy.*—Were any of these cases reported to the Police?

*Mr. Rouse.*—None. The whole thing was dealt with by the committee of Mr. Roche already referred to.

*Mr. Roy.*—Is it fair? It might be that you are compounding a felony by not reporting the matter to the police.

*Mr. Rouse.*—There was no felony about this case.

*Mr. Rajagopalan.*—As soon as the irregularity was discovered, an investigation was ordered by the New Capital Committee and an officer was placed on special duty assisted by an accounts officer and an audit officer.

*Maulvi Mohammad Yakub.*—Why was it not referred to the police?

*Mr. Rajagopalan.*—Whenever an irregularity is discovered, we do not immediately complain to the police, but we hold a departmental enquiry and in this case such an enquiry was held.

*Chairman.*—In this case, according to the accounts given, there was no felony at all. Stocks disappeared owing to wrong accounting.

*Mr. Roy.*—That is an after-thought.

*Maulvi Mohammad Yakub.*—This is the conclusion they must have arrived at after making an investigation. As soon as shortage was found, why did they not complain to the police?

*Mr. Rouse.*—Discrepancies are being discovered every day. It is not a question of actual shortage. It is merely one of wrong accounting.



*Mr. Rajagopalan.*—The matter has been improved since by arranging that there should be a separate and independent stock account kept by the Accounts office. He has stock verifiers under him, and he makes surprise checks of any account he likes. This arrangement has rendered very unlikely any such irregularity arising in future. We are really burying the past.

*Maulvi Mohammad Yakub.*—What is the total amount that you want to bury ?

*Mr. Rajagopalan.*—The total amount of loss is 12 lakhs. I gave a very full explanation to this Committee last year.

*Chairman.*—That 12 lakhs includes a great deal which is not dealt with in this case.

*Mr. Rajagopalan.*—From the inception of the project we have got on our books a loss of 12 lakhs. I explained last year to the Public Accounts Committee that this was due to some extent to defective book-keeping. If we set out gains against losses, there will probably be no loss to write off.

*Mr. Rouse.*—The loss of 12 lakhs also covers loss by depreciation and fall in market value.

*Colonel Gidney.*—In similar cases, in other Government of India departments, there is almost invariably a police enquiry. In fact, it takes place in Postal and Telegraph Departments.

*Maulvi Mohammad Yakub.*—We gather from the newspapers that a case relating to the Finance department is now before the courts as a result of police investigation.

*Chairman.*—The case is not parallel. The loss in the stores is simply due to bad accounting, and in this particular case, we had a special explanation of the loss. The loss was a natural one, due to evaporation.

*Maulvi Mohammad Yakub.*—It is very difficult to understand that so much quantity evaporated.

451. *Mr. Neogy.*—What about belting ? Was it due to evaporation ?

*Mr. Rajagopalan.*—It was simply due to mis-posting. The store-keeper was not a trained man and he was not able to explain at the time that there was confusion between belting 'camel hair' and belting 'Gripoli'. Afterwards the Accounts Officer found out the truth.

452. *Mr. Neogy.*—Was this within a short period of the purchase of stores or of the previous verification ? Was not a previous verification made ?

*Mr. Rajagopalan.*—The first storekeeper was found to be a scoundrel and he was dismissed on the spot. Another untrained man came along.

*Maulvi Mohammad Yakub.*—Why untrained ?

*Mr. Rajagopalan.*—That was a point which Mr. Roche fully went into. He blamed the administration for being penny wise. It was the view that a trained man would have cost more. Anyhow we have not lost appreciably.

*Colonel Gidney.*—I feel disposed to state that the Committee might consider whether in such cases, it is not necessary always to have a police investigation.

*Maulvi Mohammad Yakub.*—I think the Committee might make a recommendation that in such cases of shortage, or where there is a question of money involved, the case must be referred to the police instead of being enquired into by the same department which ought to be held responsible.

*Sir Frederic Gauntlett.*—That question is dealt with very carefully in the memorandum which was just issued by the Government of India setting forth the fundamental principles on which disciplinary action should be taken. That was a question which was raised by Mr. Rangaswami Aiyangar three or four years ago. This circular has been issued by the Government of India on this subject and this point has been dealt with very carefully.

*Chairman.*—Might I ask the members of the Committee to read that memorandum and let us defer further recommendation on this subject until we come to the final stages of the report.

*Sir Frederic Gauntlett.*—That circular is at present in the hands of every member of the Committee.

*Chairman.*—Has it been circulated to all members?

*Mr. Sanjiva Row.*—It was circulated last Tuesday.

*Chairman.*—Then, I should like to have some time to consider that.

453. *Mr. Das.*—Referring to that circular might I ask Mr. Rouse that in taking disciplinary action, responsibility should be properly allocated among the officers responsible and adequate punishment meted out according to the position the officer occupies, the higher the status of the officer, the greater should be the responsibility. Hitherto our experience had been that only petty clerks are dealt with by disciplinary action being taken against them. Heads of departments always go scot-free. Heads of departments should be brought to book for laxity of control.

*Chairman.*—Have you read the memorandum which was circulated last Tuesday?

*Mr. Das.*—I read last year.

*Chairman.*—I am referring to the memorandum which was circulated last Tuesday.

*Sir Frederic Gauntlett.*—If the memorandum is here, it can be read out for the information of all the members of the Committee.

(The memorandum was then read out to the Committee.)

*Chairman.*—I do not think we need pursue it because this circular has been issued and as far as I can gather the Committee considers the passage just read out as satisfactory.

454. *Chairman.*—Now reverting to paragraph 79 of the Auditor General's letter, sub-paragraph (c) refers to a matter of serious delay. He also calls attention in sub-paragraph (b): "In spite of the lump deduction of Rs. 8·14 lakhs for probable savings, a saving of Rs. 26·08 lakhs has occurred on the net voted grant. Undue optimism of this kind is a regular feature of the New Capital budget and formed the subject of careful enquiry by the Public Accounts Committee of 1928. It is satisfactory that practically the whole of

the big savings was surrendered in good time, but the number of uncovered excesses under minor heads suggest that the detailed control of the grant was not entirely satisfactory."

*Sir Frederic Gauntlett.*—With the deduction of the probable savings, the total grant would have been 73·32 lakhs and the expenditure against that was 39·09 : that is 39 lakhs against 73 lakhs which is roughly 60 per cent. The cut that was made was only about 10 per cent., and it is true that this has been the feature of the budget under this head for years past and every year I have called attention to the same fact.

*Chairman.*—What have you got to say Mr. Rouse ?

*Mr. Rouse.*—It is a very difficult thing for me to budget and forecast what works will come forward in the coming year. For instance, this budget was framed in October 1926. I am only a servant of the Government of India in this matter and it is they who frame the policy which varies from time to time and it is very largely a matter of policy as to what works provided in the sanctioned project will be taken up or postponed or modified. You will find at page 649 under "Postponement of Works", "Government House", about 2 lakhs. We did not spend this for want of drawings and also on account of the delay in obtaining suitable stone. Stone is a matter of great difficulty with us and work gets delayed if stone of suitable size and colour cannot be produced. Under 'Legislative Buildings' there is a sum of 2 lakhs and 50 thousand for completing the other storey. That was a matter which was under discussion and it was not till this year that it was decided to carry it out. Then about other civil buildings; under 'Hospital' there is a sum of 5 lakhs. We have not yet carried out the work. There have been numerous changes of policy with regard to the hospital since the inception of the project. Under 'Furniture and Fittings' for Government House there are 4 lakhs. That again is a matter which takes a very long time to settle with regard to the details. But I have to put money into the budget for all those items which seem likely to mature during the year.

455. *Chairman.*—Take the hospital now. That has never received financial approval ?

*Mr. Rouse.*—This project has received financial approval as a whole. We do not have to put up every individual item for sanction. Ever since the inception of the project there has been a provision therein for a hospital in New Delhi—sometime more and sometimes less according to the changes of policy.

*Maulvi Mohammad Yakub.*—In the last budget also we sanctioned some money for a hospital at New Delhi ?

*Chairman.*—Yes.

*Mr. Rajagopalan.*—The hospital will serve the needs of New Delhi as well as the old. It is under a different grant altogether.

456. *Kumar Ganganand Sinha.*—So when you apply for the grants you do not actually know what you are going to do with the money.

*Mr. Rouse.*—It is very hard to forecast what I am going to spend it on. Consider another item "Furniture" for the Secretariats. If we had completed that, we should have had a surplus which we did not immediately require as the Army Department has not even yet moved to New Delhi. Then these items like "Sewerage" and "Water Supply" depend on the development of New Delhi, i.e., the requirements in these respects depend on the decisions as to what land is to be sold for private building and what further quarters are to be built for Government servants.

457. *Kumar Ganganand Sinha.*—On what basis do you actually make your budget ?

*Mr. Rouse.*—It is always difficult to make a budget and it always has been. I use the best judgment I can as to what works are likely to come forward in the following year.

458. *Sir Frederic Gauntlett.*—My point is that for several years past the average saving on this budget has been 25 per cent. every year, and the same explanations are given every year. The fact remains that if one makes a reasonable budget one is fairly safe in cutting it by about 20 per cent.

*Chairman.*—These of course are special cases. I should have thought that the cuts might have been added later in the budget. You say you make up your estimates in October. You have got plenty of time to rectify those estimates later on. I should have thought information would have been available at any rate as regards the hospital at that time to enable you to exclude that.

*Mr. Rajagopalan.*—I fully accept the Auditor General's criticism and I should have made a bigger lump cut but for certain special considerations which were brought by me informally before the Finance Department. We were anxious that there should be no reasonable excuse for not going on with the work, as we wanted to get the full benefit of the architect's services which terminate on the 31st December 1929. So we wanted to have the full budget provision. As a matter of fact so far from having a lump cut we went a little further next year and gave an extra 10 lakhs to the Chief Engineer in order to speed up the provision and tell the architects to go on with the drawings as quickly as possible.

*Mr. Roy.*—And with your experience of having roughly about 25 per cent. savings ?

*Mr. Rajagopalan.*—I knew it was to be a surrender but I might tell the Committee that it was a question of putting ourselves in the right with the architects.

*Mr. Mitra.*—This makes the whole budget artificial.

*Kumar Ganganand Sinha.*—How do you think of the suggestion that you should apply for lesser grants in the original budget and when you require more you should come up later on.

*Mr. Rajagopalan.*—It will be done hereafter, and lump cuts will be made.

One special feature is "Receipts" here at page 647. You will find that our receipts have jumped to over 12 lakhs against an estimate of 5 lakhs. The more financial prudence we show in making our recoveries, the worse we appear in our budget.

459. *Chairman*.—Mr. Burdon, this excess is not likely to occur in the estimates of 1929-30?

*Mr. Burdon*.—I should not think so.

*Mr. Brebner*.—There is one point which I should like to mention, and that is that anything connected with New Delhi is a matter of interest to many departments of the Government of India. For this reason it always takes a long time to get our estimates through. Take for instance a very simple case,—the construction of clerks' quarters. Practically every department in the Government of India is interested in it and before we can get Mr. Rouse's estimate through it has to go to many of the departments and that takes a very long time.

*Mr. Rouse*.—It is usually months before I can get sanction after I have put the case to the Government of India.

*Mr. Rajagopalan*.—I have one more remark to make and I have got the Finance Secretary's permission to mention it. I anticipate similar lapses in 1929-30 too, for the reason that I advanced, because the architects' agreement terminates on the 31st December 1929. But it will not occur any more.

460. *Mr. Das*.—Will the Delhi capital work go on for another few years?

*Mr. Rajagopalan*.—We cannot close all of a sudden.

*Mr. Das*.—We were told it would be finished in 1925.

*Mr. Rajagopalan*.—But we shall have some residual work to do.

*Chairman*.—That finishes the points that we had our special attention called to by the Auditor General, with regard to New Delhi. Are there any other points?

#### GRANT 69—CIVIL WORKS.

461. *Mr. Neogy*.—I refer now to page 360, the note under 36 which refers to items 29 and 30,—construction of outhouses in the compound of the Residency at Baroda and quarters for the Meteorological staff at Civil Aerodrome, Karachi. They are new services for which no grant was obtained from the Assembly.

*Sir Frederic Gauntlett*.—I merely raised the question as to whether in the opinion of the Committee these should be regarded as new services. As far as I can see the question really develops into this: What are you prepared to take as the monetary limit below which you are not going to worry about regarding the construction as a new service.

462. *Mr. Neogy*.—Should that be the criterion?

*Sir Frederic Gauntlett*.—I suggest that these buildings in essence cannot possibly be regarded as new services. Every house has outhouses, that is not a new service. The Meteorological staff must have offices and quarters. It is a new instrument of service. Inasmuch as there is nothing novel about it, what monetary limit are you prepared to recommend the Legislative Assembly

to fix below which you are not going to worry about obtaining a supplementary grant ?

*Mr. Neogy.*—First of all I should like to know whether the two cases stand on the same footing. In the one case it is an extension of an existing building. But in the case of the Meteorological staff, supposing we had a Meteorological office anywhere, does it necessarily follow that we must have a building of our own and that we must have residential buildings provided for the staff ?

*Sir Frederic Gauntlett.*—I agree from that point of view that they are on a different footing.

463. *Mr. Neogy.*—So it is not merely the monetary criterion that I want to apply.

*Chairman.*—Can we have any special explanation from the witnesses about these two items ?

*Mr. Brebner.*—I am sorry I cannot explain them.

*Mr. Neogy.*—I do not suppose it is a matter for the witnesses, it is for the Committee.

464. *Chairman.*—Are you suggesting that they ought to be regarded as new services, Mr. Neogy ?

*Mr. Neogy.*—The second one at any rate, irrespective of the amount involved.

465. *Sir Frederic Gauntlett.*—Are you prepared to follow that to its extreme limits ? On a road you put a gate and you put up a chaukidar's hut which costs Rs. 50. Are you going to regard that as a new construction requiring a supplementary grant ?

*Mr. Neogy.*—I suppose you must accept some monetary limit in such cases, but the limits cannot be uniform, they must vary according to the nature of the cases.

466. *Sir Frederic Gauntlett.*—The Accountant General has brought this up deliberately in order that some sort of principle can be threshed out by the Committee by reference to actual concrete cases that come up.

*Chairman.*—I suggest that we want to know a little more about these two cases. From the statements given it may be that we do not know what the circumstances were. It is very difficult to discuss the principle and take these as illustrations merely on the title which is given us here.

*Sir Frederic Gauntlett.*—I think it is essential to have a complete explanation of what has been done if we are going to evolve a set of principles.

*Chairman.*—Then we are without the information to discuss it further to-day. We can see that further inquiries are made about these items, and if your object is to get this Committee to consider what the principle should be I think you should put before us a memorandum on the subject giving a number of instances of doubtful cases with the exact circumstances in each case. That might be a useful way of raising the point.

*Sir Frederic Gauntlett.*—There are three or four referred to by me elsewhere which give much more elaborate detail. In this case I did not have the information.

*Chairman.*—I would like to suggest that we are not likely to have before us in this year's meeting sufficient information to throw proper light on this subject. As the point has been raised, we might ask the Auditor General to see that next year we get before us a collection of doubtful cases with full explanations and we will reserve this point as one which requires discussion and recommendation by the Committee. I think we might accept the fact that we are not really competent to deal with this here.

*Sir Frederic Gauntlett.*—There are other cases in which you have the information in the body of the report which you might take up this year. There are two cases, one about the machinery in the Mint and another which will come up under Education, Health and Lands.

467. *Mr. Roy.*—At page 339 under A-6 you have an excess grant for 1 lakh and some thousands for Kabul Legation buildings. Do these Legation buildings belong to the Government of India or to the British Government?

*Mr. Rouse.*—To the Government of India.

468. *Maulvi Mohammad Yakub.*—At page 353, there is a case where on the abandonment of a Cantonment the lands were restored to an Indian State and the civil buildings and the furniture therein were handed over to the Durbar free of charge, the value of which was Rs. 52,000. I would like to know what were the circumstances in which this furniture was handed over free of charge.

*Mr. Brebner.*—I am afraid I have no information on this point. You will have to ask the Foreign and Political Department representative about it. This is one of the matters I took up with them because I had no papers on the subject.

469. *Mr. Mitra.*—I refer to page 652, item (c) and paragraph 79 (d) of the Auditor General's letter, where he says that the balance is susceptible of further reduction.

*Sir Frederic Gauntlett.*—The question I have suggested is to ask whether steps have been taken to dispose of the surpluses.

*Mr. Rajagopalan.*—The answer is that we have since disposed of Rs. 79,000 worth of stores, and as regards the balance the Chief Engineer disputes the figures given. What happens is that each Executive Engineer reports the value of surplus stocks of his division without considering whether they can be used in other divisions. They do use up a lot of these stores in this way and there is probably a mistake in the preparation of the figures.

470. *Mr. Neogy.*—Take item No. 4. That particular item shows that your stores accounts are in a very unsatisfactory condition and are rather undependable.

*Mr. Rajagopalan.*—We take great credit for item No. 4; we bought these fans in order to instal them in the offices, but now we have installed the cooling system, and may be able to do without the fans.

*Mr. Neogy.*—I said your stores accounts are undependable.

*Mr. Rouse.*—The Government of India never issued orders to have them debited to any final head of account.

*Mr. Rajagopalan.*—We hesitate to debit them finally to buildings because we should like to try and do without fans at all. Once the cooling system is established a lot of these fans will be in stock.

*Chairman.*—You should not have put them under Stores. It is clearly misleading. I think we might suggest that this particular item might appear under a heading which would be slightly less misleading.

However, you were not referring to these items when you talked about disposing of surplus stores?

*Mr. Rouse.*—At the end of 1927 our stock balance was 18·34, at the end of 1928 it was 12·25 and it has now been reduced to 10·5. So it is coming down. Moreover, the amounts which have been reported as surpluses by the divisions and which have been incorporated in these accounts are in many cases not really surpluses, for example, a very large item in this account is pipes which, when we build the hospital and the very large amount of additional accommodation required for office and clerks, will all be used up. I hesitate to class these things as surplus as it would only mean a heavy loss to Government if we sold them now for what they would fetch. We would not get the full market value and we should have to try fresh supplies when we erect more buildings as we shall surely have to do.

471. *Sir Frederic Gauntlett.*—When it is stated that “the stock-in-hand is certified to include the following stores” does it mean that your individual officers have given a certificate but you do not accept it?

*Mr. Rouse.*—That is the position. Their certificates refer to the requirements of their own divisions whereas I regard the question of surpluses from the point of view of the project as a whole. I have now got reports from all the divisions which I am investigating.

472. *Mr. Neogy.*—There is a small point at page 657, a loss of Rs. 9,000 owing to some miscalculation in connection with enamelled shields bearing the arms of the Ruling Princes placed in the Chamber of Princes. Is it not possible to recover this amount from the princes themselves?

*Mr. Rajagopalan.*—No, it was decided by the Government of India not to do so.

MESSRS. V. NARAHARI RAO, CHUNI LAL AND RAMA NAND WERE CALLED IN AND EXAMINED.

473. *Chairman.*—The first matter we want to question you about is on Appendix II—Statement showing action taken or proposed to be taken on points noticed by the Public Accounts Committee—item 24—Progress of the settlement of outstanding claims against some Foreign Governments and Indian States and of the unadjusted balance due by the Gwalior Durbar. Can you tell us anything about the present position of the various matters mentioned in column 3?

*Mr. Rao.*—In regard to the claim against the Persian Government the matter is still under the consideration of His Majesty's Government and every endeavour is being made to safeguard our just claims. I have nothing further to say about it. As regards Jaipur, it has been finally settled; and as regards



Gwalior there is only a sum of Rs. 2,062 outstanding ; the matter is under reference between the Durbar to the audit officer.

474. *Mr. Mitra.*—Is there any dispute about it ?

*Mr. Rao.*—No ; only a few details have to be settled. The next sum relates to claims against certain foreign governments whose subjects were interned during the great war and were afterwards repatriated. They are rather complicated cases and our total claim came to about £50,000 ; of this, up to the date of the last meeting a sum of £11,336 had been recovered and since then a further sum of £5,278. Of the balance of £34,000, our difficulty is in respect of about £16,000 outstanding from Russia and about £12,000 from Poland ; out of the balance there is no difficulty anticipated regarding a small sum of £3,000 or £4,000.

*Chairman.*—You expect to get something more this year ?

*Mr. Rao.*—Something, but not very much. As regards this £28,000 from Russia and Poland there is really considerable difficulty.

*Kumar Ganganand Sinha.*—You are carrying on negotiations with them ?

*Mr. Rao.*—Yes.

475. *Chairman.*—Now, we turn to page 19 of the Accountant General's Report : Sir Frederic would you bring out the points which you consider necessary ?

*Sir Frederic Gauntlett.*—The point is, as regards item (iv) of paragraph 35, that part of the provision for the quinquennial programme was reappropriated to meet certain expenditure in Baluchistan : a portion was available for reappropriation because the buildings for which that money had been intended were in fact constructed by money obtained from grant 69—Civil Works—and Rs. 31,450 was reappropriated in order to re-arm a portion of the Quetta-Pishin Police and as that re-armament was not contemplated in the budget at all, the question which I have raised for consideration of the Committee is whether that re-armament should be regarded as a new service, and I suggest that the witness should be asked to state exactly the conditions in which this re-armament was undertaken, so that the Committee may have information available to consider the question of what is a new service and whether this is a new service.

*Mr. Rao.*—The fact is the re-armament of the Quetta-Pishin Force had the approval of the Standing Finance Committee in the previous year in March 1926 and funds were actually provided in the budget of that year and the supply of stores connected with the re-armament was also actually made in the year 1926-27. Owing to some delay which occurred in the Military Department they did not raise a debit in that year and the expenditure had to be adjusted in the following year. It will thus be seen that the expenditure had really the approval of the Standing Finance Committee and of the Assembly in the previous year and cannot perhaps, I submit, very properly be treated as a new service in the next year ; as a matter of fact when it was known in 1927-28 that the expenditure would have to be adjusted against that year the matter was taken up before the Standing Finance Committee in order to provide for a supplementary demand and the Standing Finance Committee agreed that the Government should approach the Assembly with a supplementary demand, but

later on it was found that the money could be met by reappropriation and with the concurrence of the Standing Finance Committee again, it was actually met by reappropriation. As regards the finding of money from the quinquennial programme for education, the concurrence of the Education, Health and Lands Department was obtained to this reappropriation and the programme did not suffer because the money had been found from the budget elsewhere.

*Sir Frederic Gauntlett.*—I suggest that if money had in fact been voted in the previous year with the concurrence of the Standing Finance Committee, it ought not to be regarded as a new service merely because it technically falls within another year.

*Chairman.*—I think that will be a useful bit of case-law for us to establish and I suggest that the Committee should make such a statement; it seems to be a reasonable statement.

#### GRANT 69—CIVIL WORKS.

476. *Chairman.*—There is a point which arose in the examination of the last witness—page 353, paragraph 10 of the Accountant General's Report, regarding the relinquishment of Government property on the abandonment of a certain cantonment. The Committee want to know in what circumstances this transaction was carried out and why certain buildings and furniture were handed over to the Darbar free of charge.

*Mr. Rao.*—This relates to Deesa: certain lands in an Indian State were utilised for a cantonment for nearly a hundred years. There was however no actual transfer of jurisdiction from the State to the Government of India; so the land was practically land belonging to the State. In 1925 the Government of India held that it was no longer necessary to keep this as a military station and the Darbar therefore requested that the land may be given back to the State. The Government considered the question and it was suggested that the Darbar should purchase the existing buildings in the Cantonment area, but finally it was decided that it was impolitic and inequitable to make any such suggestion in view of the fact that the Cantonment land was occupied free of rent for nearly 100 years—which was a very strong argument for generous treatment. Moreover, there was another point. There was no prospect whatever of obtaining anything approaching the book value of the buildings in the open market, and the transfer was accordingly made free of charge on certain conditions regarding maintenance of buildings and the observance of existing leases. The Darbar is also required to provide the land required for an emergency landing ground for the Royal Air Force.

477. *Mr. Shervani.*—You say there was no market for the buildings, but in fact that point is disputed. And then, what about the furniture?

*Mr. Rao.*—The furniture must have been insignificant compared to the value of the buildings.

*Mr. Shervani.*—What was the value of the furniture?

*Mr. Rao.*—I am afraid we have not got the information.

*Chairman.*—Well, as the buildings were valued at Rs. 52,000.....

*Mr. Rao.*—That was only the civil buildings. The military buildings cost many lakhs. The cost of demolishing the military buildings would have been greater than the cost of trying to sell them.

*Mr. Burdon.*—Did this take place in 1925 ?

*Mr. Rao.*—Yes, Sir.

*Mr. Burdon.*—There were similar transactions in the case of the Gwalior State when Goona was given up as the headquarters of the Central India Horse, and there has been another transaction of the same kind in Nowgong. When these cantonments have been abandoned it has always been found that there is no market for the buildings—ordinary bungalows and barracks—and you simply cannot sell them. I remember that in the case of Deesa the furniture, as *Mr. Rao* has stated, was quite insignificant and we had a great deal of trouble in disposing of it and getting a little money for it. In all these cases there has been so much accommodation towards the Government of India and the British Indian tax-payer on the part of the States that really in the end it comes to this, that the only graceful thing you can do is to give up the buildings without charging anything, and as a matter of fact the actual pecuniary sacrifice is found to be very negligible.

478. *Mr. Shervani.*—Under what circumstances were these roads handed over to the States—the roads mentioned in paragraph 7 on page 353 ?

*Mr. Rao.*—I think that is a point for the Industries and Labour Department.

*Chairman.*—I think roads are really rather in the nature of liabilities more than assets. We should be very glad to get rid of them ; it means that the State assumes liability for keeping them up.

*Mr. Shervani.*—We must have spent some money on them and the State would not take them unless they were useful.

*Chairman.*—Well we know that roads are useful to everybody who passes over them.

*Mr. Shervani.*—The money of the Indian tax-payer has been spent on these roads and they have been given over unconditionally to the States.

*Chairman.*—You might look at it in the other way, that the Government of India had the cost of making these roads and maintaining them, and under this arrangement the Indian States take over the liability for maintaining them.

*Mr. Sanjiva Row.*—They were handed over to reduce the cost of maintenance of roads of the Central India Agency. The roads were divided into three classes. The main trunk roads of military importance were retained by the Government of India. Then there are certain roads of commercial importance, in which case the State contributes a portion of the maintenance charges ; and other third class roads were handed over the Darbars to reduce the maintenance charges of the Government of India.

*Mr. Shervani.*—Will they maintain the roads ?

*Mr. Sanjiva Row.*—It is entirely up to them. The Government of India are not interested in them.

*Mr. Shervani.*—But all the roads must be feeder roads.

*Mr. Sanjiva Row.*—Yes, but the State derives more benefit from them than the Government of India, and if the States do not maintain them it is the people of the States who will suffer as they use the roads for bringing their produce to the main trunk road.

*Chairman.*—The point must have been that it was not worth while for the Government of India to go on maintaining the roads for its own benefit.

#### POLITICAL.

479. *Chairman.*—We will pass on then to the next matter to which the Auditor General has called our attention in paragraph 70 of his letter. We should like to know when you had the necessary information?

*Mr. Rao.*—As a matter of fact we have still not got the complete information for making a budget provision.

*Sir Frederic Gauntlett.*—But should not the principle be that you should go on making provision till you know that the charge is taken away from you?

*Chairman.*—And then you get criticised for over-budgeting.

*Mr. Rao.*—The position is, Sir, that the budget estimates for Aden for the year 1927-28 were prepared in the usual way. But we decided later on between the Finance Department and the Foreign and Political Department, that there should be no provision made pending a settlement of the question of incidence of cost of certain political expenditure, and we are now considering whether we should make provision this year for the expenditure.

480. *Chairman.*—But you know where you are now about this?

*Mr. Rao.*—We are a little better off than before. It is not finally settled—the incidence of certain items of expenditure under Political is not finally settled and the matter is under further correspondence with His Majesty's Government.

481. *Chairman.*—Well, I am afraid we must accept that.

#### BANGALORE.

Then, paragraph 73 of the Auditor General's letter "Page 619—Bangalore—Important comments—sub-paragraph 2—first sentence." Have you got any explanation to give about that?

*Mr. Rao.*—We have some explanation but I am afraid it is not very satisfactory. This payment was in respect of a refrigerator and an electric stove, which were very urgently required, in the month of February. There was only one set of these things available in the firm and they were agreeable to supply it at once and wait for payment till April. But that of course does not defend the position and it is not quite clear why payment was not made at the time of purchase. We are telling the local authorities that payment ought not to have been postponed.

*Chairman.*—Well there is nothing more to be said about it; the fault is admitted.

482. *Mr. Mitra.*—May I refer back to paragraph 70 (c)—page 594 regarding the purchase of certain books of fiction out of the contingent grant.

*Chairman.*—“It seems desirable that the Government of India should expedite the issue of definite rules on the subject for the guidance of the Audit Officer.”

*Maulvi Mohammad Yakub.*—It says that the question was referred to the Government of India in 1927 and no orders have as yet been received.

*Mr. Rao.*—Orders have since been issued. The delay was due to the Finance Department being addressed in the first instance and the letter apparently got lost. As soon as the Foreign and Political Department got copies of the relevant correspondence, the Government of India issued the necessary orders on the subject. We have stopped the practice of purchasing periodicals and magazines out of the library grants and we have issued also instructions as to the nature of the charges that to be met out of the library grant.

*Mr. Neogy.*—Where is this library located?

*Mr. Rao.*—It is the library in the Residency.

*Mr. Neogy.*—Has every Residency a library?

*Mr. Rao.*—Well, the Bangalore Residency has one. This relates to that.

*Sir Frederic Gauntlett.*—I think the point in this business is why it took two years to get the orders out.

*Mr. Rao.*—As I have explained, it was due to the loss of a letter in correspondence.

*Chairman.*—It is regrettable but at any rate they have issued now. Is there any other question?

#### GRANT 30—FOREIGN AND POLITICAL DEPARTMENT.

483. *Maulvi Abdul Matin Chaudhury.*—In the Appropriation Accounts, page 132, in regard to pay of establishment, the Auditor General points out in paragraph 35 that there has been persistent saving under this head. In 1925-26 Rs. 35,000, in 1926-27 Rs. 29,000 and in 1927-28 Rs. 29,000. Is there any explanation for that?

*Mr. Rao.*—Well the explanation I have is what is given here, that it is due to assistants officiating as Superintendents. It is very difficult to anticipate what is going to happen, whether Superintendents are going on leave or when they will go on leave. And it is partly due to leave being taken out of India for which the charges cannot appear in the Indian budget. If the leave is taken out of India it will be debited against the Home budget.

*Chairman.*—But is not the practice now fairly stabilised to make a definite provision for it?

*Mr. Rao.*—I hope it will be possible hereafter to do that, Sir.

484. *Maulvi Abdul Matin Chaudhury.*—Against C on page 132 the original estimate was Rs. 14,000 odd and there was a supplementary grant of

Rs. 10,000 and still there is an excess of Rs. 7,600. Could you not make your supplementary demand more accurate?

*Mr. Rao.*—That is largely due to the big adjustments on account of passages and the tourist cars used by the Secretaries. Especially if a tour is made towards the end of the year, it is difficult to estimate the cost of the tour and to provide for it accordingly.

*Maulvi Abdul Matin Chaudhury.*—But the supplementary was sanctioned as late as the 7th March?

*Mr. Rao.*—Of course, that took account of expenditure for which debits had already been received. Instructions have since been issued to the gentleman in charge of this to get a programme from the Secretaries in advance and to evaluate the cost of the tours by reference to the Railway administration.

485. *Mr. Neogy.*—Am I right in taking it that the Secretaries of the Foreign and Political Department are entitled to the use of tourist cars as a special privilege which is not open to the Secretaries of other Departments of the Government of India?

*Mr. Rao.*—I do not know what Secretaries of other Departments are entitled to.

*Mr. Burdon.*—Mr. Neogy is correct in his assumption.

486. *Maulvi Abdul Matin Chaudhury.*—I find in the note D (iii) “debts for cost of Reuter’s and Indian News Agency messages”. Do you supply your officers with these news telegrams free of charge?

*Mr. Rao.*—Yes, for official use. Government cannot keep Consuls and others in far off places ignorant of what is happening. They have to be kept supplied with up-to-date information.

487. *Mr. Das.*—I have a question with reference to page 150—Payments to Provincial Governments on account of administration of agency subjects. I find that only Bombay and Bengal are paid certain sums of money, but my own province, Bihar and Orissa, does lots of work on account of the States administered by the Political Department. How is it they are not paid anything.

*Chairman.*—But you are not here representing Bihar and Orissa.

*Mr. Das.*—I only wanted to know why other provinces are not paid for this work.

*Chairman.*—I am told you have already had an answer to that in the Assembly.

488. *Mr. Neogy.*—May I refer to page 597 of the report, paragraph 5. This case relates to a mail road which was opened between India and Tibet which had ultimately to be closed, and the net loss was Rs. 51,000. But in this business we find that there were three motor cars which cost Rs. 20,000 landed up there. When the scheme was closed down they had to be sent back to India to be sold, and I find that the cost of transport amounted to Rs. 4,637 while the price realised by their sale was Rs. 4,550. It would have paid Government better to have left the cars there in Tibet.

*Mr. Rao.*—There were political objections to that.

*Chairman.*—Besides, imagine what the Public Accounts Committee would have said. (Laughter.)

*Mr. Neogy.*—Then this was inevitable?

*Mr. Rao.*—Yes.

*Mr. Neogy.*—But was it foreseen that the price recovered would be less than the cost of transport?

*Mr. Rao.*—Well it had to be done in any case. They were sold at Siliguri, the nearest market which could be reached.

GRANT 74—*North-West Frontier Province.*

489. *Maulvi Abdul Matin Chaudhury.*—Page 444. Here there is a saving of Rs. 34,000 due to the non-entertainment of the full sanctioned strength of Patwaris as there was no field work for a portion of the year in consequence of the completion of the measurement of Nowshera and Swabi Tehsils by May and of the commencement of the measurement of Peshawar Tehsil in October. What I want to ask is, when you prepared the Budget could you not foresee that the work would be finished?

*Mr. Chuni Lal.*—The measurement work was completed earlier than anticipated when the Budget was framed. The other reason is that the measurement work in the Peshawar Tehsil was commenced late on account of the extremely hot weather.

490. *Maulvi Abdul Matin Chaudhury.*—Page 447, A. 1(1) and A. 1(2). What is your explanation for this.

*Mr. Chuni Lal.*—We submitted our proposals to the Government of India, but they were sanctioned by them in March 1927. In according their sanction the Government of India remarked that it had not been possible to make provision in the Budget and directed us to meet the expenditure by re-appropriation if possible. Accordingly it was met.

491. *Maulvi Abdul Matin Chaudhury.*—Page 448, A. 2. Cost of opium supplied to Exeise Department. There is an excess of Rs. 4,820. Does it mean that you are selling more opium than before?

*Mr. Chuni Lal.*—Four chests instead of one were inadvertently entered in one district. That caused the excess. The balance remained in stock.

492. *Maulvi Abdul Matin Chaudhury.*—Page 449. Under Works A. (1) there is an excess of Rs. 7,244 and the causes are the improvement of certain drains, etc. Could you not have foreseen these things?

*Mr. Chuni Lal.*—These works were considered of an urgent nature and could not be postponed, and so this expenditure was incurred. The drains were in a very bad state.

493. *Maulvi Abdul Matin Chaudhury.*—Page 451, E. 2. There is a saving of Rs. 9,000, and the Head of the Department expresses his inability to explain the cause of the saving, etc. Why is it so?

*Mr. Chuni Lal.*—A lump provision of Rs. 10,000 was made in the budget for temporary establishment under this head which was utilized to some extent under Head E. Under the present system these figures are sent by the Accountant General's Office to the controlling officers, and it is difficult sometimes for the controlling officers to know the cause of excess, because the amount after all is very small.

*Sir Frederic Gauntlett.*—This question will not arise in future, because there is a separate Account Office for Peshawar which keeps accounts for this Province.

494. *Maulvi Abdul Matin Chaudhury.*—Page 455, A. 4. Dietary charges. The explanation is that this is due to increased population in jails. Does it mean that crime is increasing in your province?

*Mr. Chuni Lal.*—If you will see Head A.-7, you will find there was a saving under that head. The explanation for this is this. We used to send prisoners to other provinces, and during 1927-28 the expenditure on that account decreased as will be seen from figures under A.-7. So there was a corresponding increase under A.-4 and 5; while under A.-7 there was a saving of Rs. 37,000 because a smaller number of prisoners were sent to other provinces.

495. *Maulvi Abdul Matin Chaudhury.*—Page 457, B. 9. Arms and Ammunitions. The explanation is "due to no fresh ammunition having been indented for during the year owing to old stock being available." Why did you make provision in the budget?

*Mr. Chuni Lal.*—But provision is made several months before. At that time we had no idea whether the ammunition would be exhausted or not.

496. *Maulvi Abdul Matin Chaudhury.*—Page 462, AA. 4. Supplies and Services. There is an excess of Rs. 14,000 and odd.

*Mr. Chuni Lal.*—You will see that under A. 5 there were savings to the extent of Rs. 11,630. The variations under these two heads were chiefly due to the fact that provision was made under the head 'Contingencies,' whereas the expenditure was debited to 'Supplies and Services'.

497. *Maulvi Abdul Matin Chaudhury.*—Under Education, page 467, there are quite a number of excesses. Why was not provision made in the Budget?

*Mr. Chuni Lal.*—A provision of Rs. 5,11,000 was made under head H. for the 5 years' programme. So all these excesses are counterbalanced by that saving.

#### GRANT 75—Baluchistan.

498. *Maulvi Abdul Matin Chaudhury.*—Page 479, Baluchistan, B. 2. There is an excess of Rs. 5,000 due mainly to expenditure on the renewal of Distillery Vats, etc. I think provision could have been made for that in the budget?

*Mr. Rama Nand.*—The requirements were brought to light after the budget was prepared.



499. *Maulvi Abdul Matin Chaudhury*.—Page 480, B. 5. This is due to purchase of new furniture and renewal of old furniture.

*Mr. Rama Nand*.—The same thing occurred here also. A Committee was appointed to examine the question of the furniture which was in a very bad condition. The Committee condemned the furniture and recommended the purchase of new furniture immediately. It was neglected for some time. Then an officer came and stayed in the Dak bungalow when the actual state of affairs was brought to his notice, and so the Committee made urgent recommendations to replace the old furniture.

500. *Maulvi Abdul Matin Chaudhury*.—Page 485, D. Entertainment charges. The expenditure under this head was larger during the year due to His Excellency the Viceroy's visit as well as to Sir Frederick Johnston's departure from Baluchistan. Last year we were also told that due to Sir Frederick's departure the expenditure had to be incurred?

*Mr. Rama Nand*.—Last year's account was in respect of the last Durbar in Sir Frederick's time. We had only one Durbar last year in Baluchistan, and the small expenditure is not on account of the Durbar but on account of Sir Frederick's actual departure, and the amount was very small.

501. *Maulvi Abdul Matin Chaudhury*.—Page 492, G. Language rewards to female relatives of Military officers. What does it mean?

*Mr. Rama Nand*.—There is an examination in oriental languages like Urdu and Persian which is prescribed for the wives of officers also.

**Evidence taken at the ninth meeting of the Public Accounts Committee held on Saturday, the 17th August 1929 at 11 a.m.**

**PRESENT :**

(1) The Honourable Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	} <i>Members.</i>
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Lieutenant-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.	} <i>Were also present.</i>
(12) The Honourable Mr. E. BURDON, Financial Secretary.	
(13) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.	
(15) Mr. A. C. BADENOCH, Director, Commercial Audit.	
(16) Mr. T. K. RAJAGOPALAN.	
(17) Mr. B. NEHRU, Deputy Auditor General.	
Mr. A. B. REID, Joint Secretary, Department of Education, Health and Lands.	} <i>Witnesses.</i>
Mr. RAM CHANDRA, Deputy Secretary, Department of Education, Health and Lands.	

502. *Chairman.*—We have first of all certain questions to refer to in Appendix II—statement showing the action taken or proposed to be taken on the points noticed by the Public Accounts Committee in their report on the accounts of 1926-27. Serial No. 8 is “Question of issuing an up-to-date edition of the Forest Department Code without waiting for the recommendations of the Statutory Commission”. With reference to what is stated in the remarks column has any member any question to put ?

*Mr. Mitra.*—It has now been decided not to do it before the Simon report is out ?

*Mr. Reid.*—Yes.

*Mr. Mitra.*—Only some portions are being brought up-to-date. Has that been done ?

*Mr. Reid.*—That is being done.

503. *Chairman.*—The next thing is No. 9. “Final settlement of the account of timber shipped from Burma and placed with the timber agents

in London for disposal". Is there anything further to say since these remarks in the remarks column were written ?

*Mr. Reid.*—We have received accounts from the High Commissioner, but they are not absolutely final accounts. The High Commissioner says that he can do little more. He says that the staff employed on auditing the accounts costs nearly £1,000 a year and he finds it extremely difficult to get anything further out of the firm. He advises that the accounts should be accepted as part of a general settlement with the firm.

504. *Chairman.*—What I wanted to know was whether the firm's offer has been received ?

*Mr. Reid.*—The offer has not been received as yet.

*Chairman.*—So there is nothing more to be said about it ?

*Mr. Reid.*—No.

505. *Mr. Mitra.*—There seems to be some difference. In the last year's report, page 175 of the evidence, Mr. Ram Chandra said "When they examined the accounts of this transaction they found that there was some timber which had not yet been sold by the agents of the Government of India. That timber has now been sold and the contractors were asked to settle the account as soon as possible". It seems that the timber is now with the contractor and the settlement is with the contractor only.

*Mr. Reid.*—The whole timber had been sold by the end of 1927, and the only question is that of accounts. We have got some accounts and the High Commissioner recommends that there should be no further questions about them. That is the position.

506. *Chairman.*—How do you mean ? Is that something different from what you refer to in these remarks ? You say, "The High Commissioner has been authorised to enquire from the firm whether they would offer a lump sum for the whole stock in their hands on the 31st December 1928."

*Mr. Reid.*—That includes other timber. I am speaking only of the S.S. "Chengtu" cargo.

*Chairman.*—It says "the timber which had not been sold by the agents of the Government of India"—evidence of last year, page 175.

*Mr. Reid.*—All this cargo of timber has been finally disposed of.

*Chairman.*—That particular cargo ?

*Mr. Reid.*—Yes. I am speaking of that cargo only.

*Chairman.*—Not the whole of the timber ?

*Mr. Reid.*—No ; this particular cargo is the only point I am concerned with in this case.

507. *Mr. Mitra.*—The cargo which is referred to in the remarks column does not apply to the supplies to Salonika ?

*Mr. Reid.*—The cargo in question is Salonika timber. We shipped it to Salonika originally during the war.

*Chairman.*—The remarks in this column do not apply to that timber which was supplied to Salonika?

*Sir Frederic Gauntlett.*—Probably I might be able to clear up the position. The firm of Howard and Sons are agents not merely for the Central Government but for some of the provincial Governments also.

*Mr. Reid.*—I do not know whether they are still.

*Sir Frederic Gauntlett.*—At the period to which this relates, they were agents and they had received shipments from other Governments as well.

*Mr. Reid.*—Yes, that is so.

*Chairman.*—The negotiations to which you are referring,—do they relate merely to the timber of the Government of India or to the timber of the provincial Governments also?

*Mr. Reid.*—I think they relate only to Central Government timber. We have not yet received the offer.

*Chairman.*—If the timber has all been sold, what timber is there in respect of which an offer is to be made?

*Mr. Reid.*—I am speaking only of the timber shipped by the particular ship "Chengtu". I believe there are other stocks of timber still undisposed of with the Agents, which they propose to purchase at a lump figure.

508. *Mr. Mitra.*—In reply to a question last year Mr. Ram Chandra said, "That timber has now been sold and the contractors were asked to settle the account as soon as possible." Now in the remarks column it is stated that negotiations are going on about the sale itself.

*Mr. Reid.*—There is other timber besides the cargo of "Chengtu" timber. The "Chengtu" cargo of timber was disposed of a long time ago.

*Sir Frederic Gauntlett.*—The whole position is extremely complicated. I have read the report of the chartered accountants who are attempting to investigate the position for the High Commissioner, and it runs into nearly 100 pages. I mean the shipments have been going on for years and I admit that it must have been very difficult for authorities out here to know what the exact position was in London.

*Chairman.*—It ought not to be very difficult to get a statement of the stocks of timbers that still remain unsold.

*Sir Frederic Gauntlett.*—That is in the report of the chartered accountants. Is that so, Mr. Reid? Do you remember?

*Mr. Reid.*—I have not seen the report of the chartered accountants.

*Sir Frederic Gauntlett.*—Mr. Badenoch could give us some information on the matter.

*Mr. Badenoch.*—The stocks of the various Governments and the various shipments have been so mixed up that it is very difficult to understand exactly what stocks belong to what Government and so on.

*Chairman.*—I take it by this time next year advantage will be taken of the suggestion and the whole of these stocks will have been disposed of and then we could have a note which will finally dispose of this item.

509. *Chairman*.—We now come to Serial No. 12, "Question of keeping cinchona accounts on a commercial basis both in respect of the transactions of the Governments of Bengal and India." There apparently you cannot get on because the Bengal Government is considering the question?

*Mr Reid*.—That is so.

*Mr. Badenoch*.—The Bengal Government have asked me to make an estimate for establishment for the introduction of commercial accounts next year and they have asked for the assistance of my branch. We have given them an estimate and promised our assistance and we hope that provision will be made in the budget for 1930-31.

510. *Chairman*.—Serial No. 13, "Improvement on the existing arrangement for verification of stock of cinchona bark at Mungpoo." The remarks column says. "The matter will be considered further when the Auditor has reported." I suppose there is nothing really to be said about that for the present.

*Mr. Reid*.—I have little to add.

*Sir Frederic Gauntlett*.—This too is mixed up with the previous case. There has been a preliminary investigation at Mungpoo and it is on that investigation that the Bengal Government has now agreed that the commercial system should be introduced and this point will receive further attention when the commercial system is introduced.

511. *Mr. Mitra*.—It was said last year that there was a prospect of an Agricultural Conference in October. Was that Conference held?

*Mr. Reid*.—Yes. This matter, however, was not referred to at that Conference. It is an administrative detail.

512. *Kumar Ganganand Sinha*.—How long will the auditor take to report on the matter?

*Mr. Badenoch*.—It is a question of introducing the accounts and it will be a matter of 3 or 4 months. The Bengal Government have accepted the system. It is only a question of introducing the system.

513. *Chairman*.—Serial No. 14, "Question whether the system of allocation of fees realised from paying patients treated at the X-Ray Institute, Dehra Dun, should not be stopped and whether the officers of the Institute should not be debarred from private practice, a suitable compensation being given, if necessary." The Government of India have apparently taken a decision on this matter which is reported. Any questions to be asked about that?

*Colonel Gidney*.—As regards what you say in the remarks column, has it not been the practice for some time?

*Mr. Ram Chandra*.—It has been the practice for some time, but what the new orders say is this. All fees which are payable by non-entitled patients, whether the treatment is inside the institute or outside, whether the treatment is with the aid of Government apparatus or with the help of private apparatus, and whether it is with the assistance of Government staff or without such assistance—all such fees shall first be credited to Government. Fifty per cent. of that will then be drawn by the Superintendent of the X-Ray

Institute on the form prescribed in the Civil Account Code. This 50 per cent. will be distributed among the Superintendent and his Assistants in the proportion of 70 per cent. for the Superintendent, 20 per cent. for the Assistant Surgeon and 10 per cent. for the Sub-Assistant Surgeon.

514. *Colonel Gidney*.—That is going on for some time. That does not satisfy the recommendation of the last year's Public Accounts Committee.

*Mr. Ram Chandra*.—The recommendation was whether the officers should not be debarred from private practice. That question has been considered but we have decided not to pursue the matter further as it is possible that the Institute might be abolished in the near future.

515. *Colonel Gidney*.—Is it a fact that orders have been issued for the Institute to be abolished?

*Mr. Ram Chandra*.—Orders have not yet been issued but we are finding out who will take the surplus stores, buildings, etc. The question of disposal of the buildings and stores is under consideration and Government have not come to a definite conclusion on it.

516. *Colonel Gidney*.—Is it because the military have refused?

*Mr. Ram Chandra*.—The military say they do not want it for their needs.

517. *Maulvi Mohammad Yakub*.—Why is it to be abolished?

*Mr. Ram Chandra*.—It was largely for the needs of the Military and the Military Department say they do not need it.

518. *Mr. Roy*.—This expenditure in connection with the Institute so long has been borne on the civil estimates?

*Mr. Ram Chandra*.—Yes.

*Maulvi Mohammad Yakub*.—Up to this time to what accounts has all the money been debited?

*Mr. Ram Chandra*.—Civil. But recoveries have been effected from the Military Department during the past few years.

519. *Maulvi Mohammad Yakub*.—Has the Institute proved useful to the public as well as to the military?

*Mr. Ram Chandra*.—I should say "Yes". But under the Reforms it is for the Local Governments to make their own arrangements.

520. *Mr. Roy*.—Assuming that the institution is abolished, what arrangements would you make for training doctors in X-Ray as specialists?

*Mr. Ram Chandra*.—The Military authorities say that now that I. M. S. officers are required to undergo a course in England at Millbank, some of them could specialise in radiology and then train the Assistant Surgeons.

521. *Mr. Roy*.—Would it not be more expensive to send people to England for training?

*Mr. Ram Chandra*.—The I. M. S. officers have to go for further training under the rules. So far as the Civil Departments are concerned, it is for the Local Governments to make their own arrangements for training their own doctors on the civil side.

522. *Mr. Roy.*—What about your own responsibility for the centrally administered areas ?

*Mr. Ram Chandra.*—We have got a branch of the X-Ray Institute in Delhi and we have got a branch in Simla. We only need two men for these places. So far as the centrally administered areas are concerned, our requirements are not large and we do not see any reason why we should have such an expensive institute just for the training of a few assistant surgeons.

523. *Maulvi Mohammad Yakub.*—Who will take possession of the apparatus ?

*Mr. Ram Chandra.*—That is what we are trying to find out. We are negotiating with the United Provinces Government whether they would take it over at a fair valuation.

*Maulvi Mohammad Yakub.*—Have you received any information on that ?

*Mr. Ram Chandra.*—We have not received any reply yet.

524. *Maulvi Mohammad Yakub.*—Does not the land on which you built the institute belong to the United Provinces Government ?

*Mr. Ram Chandra.*—I am not sure that the Government of India did not pay compensation for the land.

525. *Mr. Das.*—We had some discussion on this subject last year. Is it that the military are not going to have any responsibility ?

*Mr. Ram Chandra.*—They say that they can make other arrangements which will be cheaper.

526. *Mr. Das.*—Are they not going to take the instruments which they have been so long using ?

*Mr. Ram Chandra.*—The responsibility for disposing of the stores and the apparatus rests with the Civil Department.

527. *Mr. Das.*—Who purchases the stores and the apparatus ?

*Mr. Ram Chandra.*—These are purchased by Government for military units all over India. The stores are indented by the Superintendent of the X-Ray Institute. When they arrive, the military are required to purchase what they ordered.

528. *Mr. Das.*—Will they take over such of the apparatus as is available ?

*Mr. Ram Chandra.*—They may, provided that the apparatus is useful. There may be some articles that are obsolete.

529. *Maulvi Mohammad Yakub.*—May I know why the expenses were debited to the civil side, when the Institute was meant for military purposes ?

*Mr. Ram Chandra.*—That is past history.

*Chairman.*—Apparently the military have been asked to pay, and they have said they do not want to retain the Institute. That is what has happened in a great many cases. We now go on to paragraph 29, Forests.

## GRANT 21—FOREST.

530. *Mr. Roy.*—I should like to ask you, Sir Frederic, what has happened about the revision of the Forest Code?

*Sir Frederic Gauntlett.*—We have urged very strongly that the Government of India should at least modify those rules which are definitely out of date and that proposal has been accepted.

*Mr. Roy.*—You are satisfied?

*Sir Frederic Gauntlett.*—I am reluctantly satisfied. The *via media* which I suggested has been accepted. Theoretically I like to have a Code corrected up to date but it cannot be done for two years, till the Simon Commission has reported. As a matter of practical politics, on the whole, the decision is a wise one.

531. *Chairman.*—Page 111 of the Report. Note C4(2). The control of expenditure seems to have been generally poor? Have you got to say anything on that Mr. Reid?

*Mr. Reid.*—I agree with the Auditor General that in the matter of budgetary control a mistake was made in respect of expenditure under C4(2).

*Chairman.*—That has been pointed out to the responsible officer?

*Mr. Reid.*—Yes.

532. *Mr. Shervani.*—I want some information about C 2 on page 111: Due to the construction of Mundali staff quarters with kitchen which was not anticipated when the original estimates were framed. Is this not a new service?

*Sir Frederic Gauntlett.*—I have got the feeling that for petty works of this sort you must have a limit. To my mind it is impracticable that for every new item of this kind you must receive a separate grant from the Legislative Assembly.

*Mr. Shervani.*—The question is one not of the amount but of the principle.

*Chairman.*—We have got to consider practical convenience.

*Sir Frederic Gauntlett.*—I agree it is desirable to have some limit. I think Mr. Shervani's point is that in the case of amenities for Government servants a lower limit should be fixed; it is for the Committee to consider. I doubt very much whether the witnesses can carry us very much further.

*Chairman.*—I think we should be gradually collecting notes on this question of new services. They can be put together when we come to write the report.

*Sir Frederic Gauntlett.*—It is a very important practical comment. It might be noted for mention in the report.

533. *Maulvi Mohammad Yakub.*—What limit would you fix?

*Sir Frederic Gauntlett.*—You cannot take one limit for all departments. A limit of 2 lakhs you may fix for one department would not hold good in the case of Railways who are spending 100 crores.

*Maulvi Mohammad Yakub.*—Would you fix a percentage?

*Sir Frederic Gauntlett.*—Maulvi Sahib, the witnesses are very busy people; let us not detain them unnecessarily. We had better discuss this when the witnesses are not here.



534. *Colonel Gidney*.—May I ask Mr. Reid how far the position had advanced with regard to the Medical Research Institute and the Forest Research Institute.

*Chairman*.—We had better confine ourselves to the Forest aspect of it.

*Mr. Reid*.—As regards the Forest College, if the new Medical Research Institute takes over the existing college buildings, the Forest College students will be accommodated in the existing Rangers' College buildings. That answers the forest aspect of the question. We are not going to build at present as the position with regard to the future of the subject "Forests" is too uncertain.

#### GRANT 46—SURVEY OF INDIA.

535. *Chairman*.—We shall now go on to paragraph 42 of the Auditor General's letter, Grant No. 46, Survey of India. Could you just explain to us the position, Sir Frederic?

*Sir Frederic Gauntlett*.—There are two points which really merge into each other. This is a case in which there have been considerable savings in the past. When the budget came to the Finance Department I presume the Finance Department super-imposed a lump cut on the budget which was presented to it. When the budget was finally passed by the Assembly, it went back to the Surveyor General. I understand he told his officers that this lump cut had been made and he definitely ordered economies. The result of that, added to the normal savings, has led to the position which is set out in paragraph 42. If you look at the total figures on page 175 you will see that both under gross and net, the saving is still about 10 per cent.

536. *Mr. Neogy*.—I should like to know what the position is in regard to store accounts for maps?

*Mr. Reid*.—The Surveyor General has not yet sent in his proposals as regards the future form of the accounts; we have reminded him, and shall get his proposals probably next month.

*Sir Frederic Gauntlett*.—Mr. Badenoch knows something about this.

*Mr. Badenoch*.—I was down in the map record office a month ago, and I have seen that accommodation for maps has been installed. They hope to complete the whole process by the end of this financial year, and they have undertaken to allow my branch to audit their stores accounts as soon as possible after April 1930.

*Sir Frederic Gauntlett*.—I think we may regard this question as satisfactorily settled.

537. *Mr. Roy*.—Is it not a fact that the Surveyor General said that most of these maps are out of date and are of no value?

*Sir Frederic Gauntlett*.—I suggest that the maps are not worth storing if they are out of date.

*Mr. Badenoch*.—I believe it is the policy of the Survey Department to keep a specimen of every plate.

*Mr. Roy*.—The Surveyor General said that there are enormous quantities of maps that are of no value whatever to anybody but himself and that there was no possible chance of defalcation.

*Sir Frederic Gauntlett.*—It is very unlikely that they will be stolen. We on our side say that there is a value attached to them and that some sort of simple store account ought to be kept. I should be very sorry to see that the negotiations which have been going on for the past five years should now be upset.

*Chairman.*—I think a store account would have another value. It might be that the department was printing maps enormously in excess of the requirements. They are of no use at all, but they cost money. If a store account is kept, that will enable us to find out whether the department is being economically run.

*Mr. Reid.*—I should like to add that the opinion that Mr. Roy read out was the opinion of the late Surveyor General and is not necessarily that of his successor.

*Sir Frederic Gauntlett.*—We have made more progress with the present Surveyor General in six months than we made with his predecessor in three years.

538. *Mr. Das.*—As regards the last of the “important comments” I note that Saturday was sometimes taken as a recognised holiday. I am glad that Audit took it up and that the Government of India decided that Saturday should not be taken as a holiday. We appreciate the decision of the Government of India and of Audit.

#### GRANT 49—BOTANICAL SURVEY.

539. *Chairman.*—Paragraph 45 of the Auditor General’s letter, pages 189-194. Botanical Survey. Saving on the voted grant represents 17·6 per cent. of the provision.

*Sir Frederic Gauntlett.*—That was explained in previous years. This is a general feature of most scientific Departments.

*Chairman.*—We have so many cases of this kind and the same thing has to be said in each case. I do not know whether it is worth while pursuing them in detail.

*Sir Frederic Gauntlett.*—No, Sir. I do not think that there is anything more to be said on that now.

*Chairman.*—Grant No. 51. There is no comment on Grant No. 50 in the Auditor General’s letter.

540. *Colonel Gidney.*—I have a question to put about Cinchona, page 190 Considering the quantity that we have in stock, what was the estimate made by the High Commissioner?

*Mr. Reid.*—We were very much in the hands of the firm with whom the contract was in force. Within certain limits they supplied as much or as little bark as they pleased, and hence there was difficulty in estimating.

*Colonel Gidney.*—Is it that you have an annual contract with them?

*Mr. Reid.*—We have no contract with the firm now; it has been terminated. They used to send, within limits as much as they pleased, irrespective of our stocks.

*Mr. Das.*—You are not going to make any purchases in Java?

*Mr. Reid.*—We have not decided anything.

541. *Colonel Gidney.*—Considering the quantity of stock in hand of cinchona and quinine, I would like to ask the member in charge as to whether it is not possible, in view of the fact, that for 21 years we will not require quinine, to extend the cultivation of quinine in India and make India produce all its own cinchona.

*Mr. Reid.*—The view of our Department is that existing cinchona arrangements are in such an unsatisfactory state that we should not expand further unless we adopt the recommendation of the Royal Commission on Agriculture to centralise the whole thing. The present position is in our view unsatisfactory, as I mentioned last year; what we are trying to do now is to estimate the cost of centralisation. Whether we can centralise is a matter which will then have to be decided in consultation with other Departments, notably the Finance Department. Existing arrangements are unsatisfactory.

542. *Colonel Gidney.*—Considering we have 70 lakhs tied up in quinine, is it not possible to evolve some means by which we can supply quinine in India?

*Mr. Reid.*—We have examined the question at great length. We are now ascertaining the financial implications of the Commission's recommendation.

*Chairman.*—Therefore we have got a scheme. It is being examined and the view of the Department is—if anything has to be done it should be done on the lines of the scheme.

*Mr. Reid.*—That is our tentative view. It has not been accepted yet by the Finance Department. We have consulted them; but they see certain difficulties in the Commission's proposal.

*Mr. Burdon.*—We had a Conference last year in regard to this question at which Mr. Reid presided and I represented the Finance Department. It was in connection with the disposal of accumulated stocks and renewal of the contract with Messrs. Howards. Some expert officers who were present at this Conference thought that the whole situation would be satisfactorily met if this recommendation of the Royal Commission on Agriculture were accepted and production of cinchona was made a Central responsibility. In regard to that I pointed out that even at the present moment we are having great difficulties in ensuring the consumption of the amount of quinine produced. The Local Governments were refusing to expand their public health campaigns to such an extent as would absorb the surplus stocks of quinine, and I pointed out that one financial trouble about accepting the recommendation of the Royal Commission on Agriculture would undoubtedly be that the Government of India would have no power to constrain the Local Governments to consume the quinine. We might be producing it centrally, but no body would take it. That was one point that seemed to me to be required to be met before a definite scheme could be accepted. There were other difficulties—there was the obvious financial difficulty that the Government of India might not be able at any particular given point of time to provide the capital sum which will be necessary in order to recoup the Governments of Madras and Bengal for their capital expenditure if their factories were taken over by the Central Government. Quite a considerable sum is involved. (Mr. Reid: It is probably Rs. 50 lakhs in one province alone). The third point that I made was that it seemed to me to be necessary to

establish production of cinchona by the Central Government as distinct from production by the Local Governments, commercially, by the most economical method of production. That is a point which requires investigation. So far as the Finance Department is concerned the matter rests there. There are these three points which have yet to be considered by the administrative Department.

543. *Chairman*.—We discussed this at the Conference of Provincial Financial representatives in November. Certain points were put to them. They were going to inquire on their own account. Has that got any further?

*Mr. Burdon*.—No. At the Conference, the discussion narrowed down to the question of the disposal of the accumulated stocks and the renewal of the contract with Messrs. Howards and, if I may say so, you were right, Sir, in saying that the representatives were going to inquire into the matter. The Honourable Mr. Moir said that he was going to go into some question of policy. The discussion there, I am right in saying, limited itself in the end to the cancellation of the contract with the firm.

*Chairman*.—We have advanced since last year to the extent that the contract with the firm has definitely been cancelled. Taking the normal supplies from stocks and adding to that the production by the various provincial plantations, etc., that are already in existence, there is considerable difficulty in disposing of our present sources of supply; and therefore we are in a difficulty about putting up to any Government or to the Central Government a scheme for spending a great deal of money in promoting the production of cinchona. It seems to me that the key to the whole thing lies at the consumption end, and I confess that my impression from discussion with the provincial representatives whom I saw in the first week of my presence in India was that the consumption of quinine in India is extremely small and that the Government ought to be doing much more to distribute quinine and facilitate its supply to districts where malaria is common. I think, from my experience in Africa, that what is being done here is on a very small and almost meagre scale. The first thing to tackle is the consumption side.

544. *Mr. Roy*.—You are always referring to the sale of spurious quinine, Colonel Gidney?

*Colonel Gidney*.—I do not know whether you will permit me to mention it, Sir, but it is a serious factor in the consumption of quinine. The markets are flooded with spurious quinine and Government quinine is not sold. That is a very serious obstacle to the larger sale of Government quinine. The markets in India are glutted with quinine which consists of  $3\frac{1}{2}$  grains of chalk,  $1\frac{1}{2}$  grains of quinine and half a grain of some acid to make it tasty. I mooted the point before Government and they promised to have a Committee. I do believe, Sir, that if the sale of spurious quinine and its promiscuous introduction into India is stopped, Government quinine would rapidly go up in sale.

545. *Chairman*.—Mr. Reid, have you considered any sort of conference to deal with the whole question? Unless you can bring the various sides together, it is very difficult to make any progress. I think, Mr. Reid, you rather suggested that the Finance Department were holding up the scheme.

*Mr. Reid.*—What I meant to say was that on a preliminary view, though we have not decided anything yet, we are in favour of adopting this recommendation of the Royal Commission on Agriculture, if possible, as we are very anxious to increase the consumption of quinine in India.

*Chairman.*—Merely adopting the recommendation will not carry you very far.

*Mr. Reid.*—As regards the Finance Department, all that I meant to suggest was that they have pointed out very considerable difficulties in giving effect to the Commission's recommendation, if we wish to adopt it.

*Chairman.*—Surely it is now for you to consider how the difficulties can be overcome.

*Mr. Reid.*—Our view is that even if the recommendation is acceptable in principle, the first thing to do is to find out the cost. We came to the conclusion that it was useless to proceed with consideration of the recommendation unless we had some prospect of being able to find the money involved.

*Chairman.*—It seems to me that that should come at the last stage. It seems to me also that you are skipping over what is the main difficulty. The first thing to consider is how to get a policy in force all over India which will ensure a larger consumption of quinine. Until you deal with the consumption side, it is no use dealing with the financial side.

*Mr. Reid.*—It was on those lines that we were proceeding originally, but we then came to the conclusion that the first thing to investigate in consultation with the Local Governments principally concerned was the finance of the recommendation.

*Chairman.*—How do you expect the Finance Department in the first place or the Government of India in the second place to decide whether they can afford a thing unless they know what the value of that thing is going to be? We are never in the position of saying that we cannot afford a crore if it is going to bring about the salvation of the country. Ways and means must be found for raising the amount. What we have got to do is to weigh in the balance one claim against another and if you claim for the crore that it would produce very good results, money would be found. It seems to me that you are putting the cart before the horse in the way in which you are tackling the thing.

*Sir Frederic Gauntlett.*—The consumption end rests entirely with the provinces and is a transferred subject.

*Chairman.*—I entirely agree, and the first step seems to be some sort of conference with the representatives.

*Sir Frederic Gauntlett.*—In fact an advertising propaganda for the extension of the use of pure quinine.

*Chairman.*—That might be one of the recommendations of such conference. But the first thing is to get the various representatives together and see whether you can get an agreed policy.

*Sir Frederic Gauntlett.*—One of the important things which emerged in the conference of provincial representatives was that there seemed to be no indication on the part of any transferred Minister to push the use of quinine.

*Chairman.*—We had no Transferred Ministers before us. We might give them a chance of putting their point of view before condemning them.

*Mr. Burdon.*—The information that the provincial representatives gave us showed that the question of increasing the consumption of quinine at the expense of Provincial Governments had to be considered in the majority of provinces. But what practically every Local Government said was that they pushed their programme of sale of quinine as far as they thought it desirable either on health or on financial grounds, and that there were other measures for the promotion of public health which they thought had a better claim than any further expansion of the consumption of quinine.

*Chairman.*—I agree that that was the general view expressed. I do not think that we can regard that conference as very authoritative.

*Mr. Burdon.*—No, Sir. It was merely called for a specific purpose, largely for financial purposes.

*Sir Frederic Gauntlett.*—I suggest that if the consumption end is “transferred”, it is very difficult to make the production end “Central” unless you are going to get real harmony between the two.

*Chairman.*—If the provinces decide to buy the stuff that is produced centrally, there should not be difficulty.

*Mr. Burdon.*—There is one point of very great importance at the present moment. There is nothing to prevent Provincial Governments as far as I know at present or in the future from buying quinine from outside at cheaper rates.

*Colonel Gidney.*—Quinine is sold at Rs. 5 a lb. The cost of Government quinine is Rs. 18 to 22. Naturally the public will not buy Government quinine but will buy the cheaper quinine.

*Chairman.*—We cannot usefully consider the proposal of the Royal Commission on Agriculture until we have tackled the consumption end. I suggest that it is not for us to lay down what the precise details of the scheme should be. I would suggest this. As there is this recommendation of the Royal Commission on Agriculture, which is under consideration of the Department, and having regard to all that we know of what is going on in the provinces, it is up to the Government of India to give a lead in the matter and try to get the provinces together and see whether the scheme for production can be fitted in with the needs of consumption in the provinces. The major part of the problem is the consumption side and that rests with the provinces. It is for the Government of India to give a lead in the matter and try to get the provinces together and see whether there can be some agreement.

546. *Colonel Gidney.*—It is now a full year since I moved in the matter and I have been promised by the Government that there will be a Committee which will enquire into the matter. I believe they have addressed the Provincial Governments.

*Mr. Ram Chandra.*—May I explain, Sir, as this last point pertains to the medical side? Colonel Gidney last year made certain allegations about the sale of adulterated quinine. We wrote to Local Governments and asked their

considered opinion on these allegations. Replies have been received and in very few provinces is it admitted that adulterated quinine is sold on a large scale. District Boards are the largest consumers and they supply quinine to the villagers. They get Government quinine. Some of the samples that have been analysed show that they were adulterated, but adulteration is not practised on such a large scale as one would seem to think. As regards the Committee, to which Colonel Gidney referred, we intended to appoint a small expert committee to go into the question of not only quinine but into the question of control of drugs generally. We have consulted Local Governments. Their replies have not all come in and until the replies are received, I am afraid we are not in a position to constitute the committee, because it will be for the Local Governments to share the expenditure and it will be for them to suggest whether any additions should be made to the terms of reference and whether any other questions should be investigated by the Committee. Until we receive the replies of the Local Governments, nothing can be done.

*Chairman.*—Thanks very much. That of course deals with only one side.

547. *Mr. Mitra.*—It appears that the supply of Government quinine is much larger than the demand. There must be something wrong somewhere. It is accepted that the demand for quinine is much greater than the supply that Government can make.

*Chairman.*—The position is that as a result of the contract we had with the firm we have in stock something like 21 years' supply of quinine according to the statistics. Therefore it creates a position which gives us very little incentive to try and develop new sources. I entirely agree with Mr. Mitra that it is quite impossible that there can be this enormous supply of quinine in India if we can get at the real areas of consumption. That is why I suggest that we should try to get the provinces together. If the Government of India is still of the view that it was before, that it is desirable that India should be self-supporting in the matter of quinine—if that is the position, then we cannot develop proper sources of production unless we are guaranteed consumption. Consumption is in the hands of Provincial Governments, and I do not see how we can at all advance in this matter except in co-operation with the Provincial Governments.

548. *Mr. Reid.*—May I ask one question, Sir? Is there any difference in this matter between quinine and salt? Salt is centrally produced, but consumed and paid for locally.

*Chairman.*—The only difference is this. The demand for salt is there. As a matter of fact the Government of India is not the sole producer of salt: it only produces a small fraction of the salt which is consumed in India out of its own works. We know perfectly well that the demand for salt is there; and as far as our own direct sources of supply are concerned, our difficulty at the moment, owing to various causes, is to produce enough salt to meet the demand, and not *vice versa*. If we were now being asked to spend a very large sum of money on developing the production of salt and I could not see the way clear to sell that salt when it was produced, then I would certainly say that I must somehow or other try and get the people who control the consumption before I spent money on the production. But of course salt is no parallel.

Everybody in India knows the value of salt and it requires no education to make people take salt ; but as far as quinine is concerned, unless the medical department is prepared to undertake some sort of campaign, people will not buy quinine. You have got to educate the people to take quinine.

549. *Maulvi Mohammad Yakub*.—In fact in villages, people are averse to taking quinine. May I know from Colonel Gidney for how many years quinine retains its qualities ?

*Colonel Gidney*.—There is very little depreciation.

*Maulvi Mohammad Yakub*.—Do you mean to say that the quality will not depreciate even if we keep the stock for 20 years ?

*Colonel Gidney*.—The depreciation is infinitesimal.

*Chairman*.—I suggest that when it comes to writing our report, we should put in a recommendation that having regard to the position as regards excessive stocks now held and the fact that the Government of India has before it the scheme of the Agricultural Commission on central production of cinchona, the Committee thinks that the whole position as regards the consumption of quinine should be reviewed, without considering which the Government of India can take no further step forward. I take it that that is quite in order for us ; but I ask your guidance, Sir Frederic ?

*Sir Frederic Gauntlett*.—I have set down here in rough the recommendation which might meet the position. “The Committee recommends that the Government of India do investigate in consultation with the provincial Governments the possibilities of extending Government quinine”. That covers Colonel Gidney’s points.

550. *Colonel Gidney*.—Last year also we made a recommendation for a revaluation of the stock. We talk about so many pounds of stock. As has been stated in the report there has been no attempt at revaluation and the auditor has actually signed the report without actually knowing the exact stock. I know it is a very difficult thing. We do not know whether we have got the stock. Last year we passed the same remark on that. We asked for a revaluation and it seems that nothing has been done. There may be some reason for that.

*Mr. Reid*.—The Colonel perhaps refers to the note found at the bottom of page 191. There has been no revaluation because there has been no fluctuation in the world price of quinine.

*Sir Frederic Gauntlett*.—Might I explain, Sir ? I am practically certain that it is all bound up with the question of the introduction of commercial accounts. There are two store yards, one belonging to the Government of Bengal, and one to the Central Government and until the commercial accounts are introduced and a proper system of storage introduced, it is impracticable to make stock-taking satisfactory. It is possible that in the Indian Museum at Calcutta things are more satisfactorily arranged. The matter is under consideration and it will certainly be taken up when the commercial system is introduced.

551. *Chairman*.—Is there any doubt as to the quantity of stock ?



*Sir Frederic Gauntlett.*—That I think was investigated—again I am speaking from memory—over a year ago by an officer of the Commercial Audit Department who went to the spot to study the arrangements there before devising a scheme of commercial accounts. I think, the general impression he gained was that there was no real question as to the existence of the stocks.

552. *Maulvi Mohammad Yakub.*—There was no leakage of quinine?

*Sir Fredric Gauntlett.*—The stock is mainly of bark and partly of quinine. To keep quinine in store is quite simple. To keep stock of bark is exactly the same problem as we hear of in the Army Department with regard to stocks of Babool bark which they use in tanning. Any attempt to get the stock of bark in rough is very difficult indeed.

553. *Colonel Gidney.*—In view of the fact that bark is used by local chemists making cinchona, there is just the possibility that the commercial system of accounting may not help.

*Sir Frederic Gauntlett.*—We can put it in a satisfactory position. The trouble had been that last year the officer in charge of quinine for the Government of Bengal was on leave and nothing really drastic could be done when he was on leave. The Government of Bengal has accepted in principle the introduction of the commercial system and you may be quite certain that will be one of the first points to which attention will be paid. We are fully aware of the dangers of not introducing a sound system of accounting.

554. *Chairman.*—When do you think you will be able to have a proper stock-taking? When will the commercial accounts be introduced?

*Mr. Badenoch.*—The Bengal Government are going to introduce in all cases where they have direct control and where the Government of India have not direct control.

*Colonel Gidney.*—There are large deposits in Mergui which the Burma Government should take control.

*Sir Frederic Gauntlett.*—You will find on page 192 there is a certificate of the Superintendent that he has verified the stock of stores. Mengupu is a very much more difficult problem. It is not in Burma but in Dar es Salaam.

#### GRANT 51—ARCHÆOLOGY.

555. *Kumar Ganganand Sinha.*—Grant 51, page 197. Why were the plates for the publication of the Sanchi monograph entrusted to a firm in Paris not fully reproduced? You will find there is a saving of Rs. 20,000 out of 48 thousand and odd. I should like to know since how long is this work being carried on? What is the progress made?

*Mr. Reid.*—It has been going on for the last 14 years or so. It has not yet been possible to complete the work.

556. *Kumar Ganganand Sinha.*—Then why do you apply for such large grants?

*Mr. Reid.*—We hoped that the work would be pushed on. It is done in batches, and the firm I believe, promised to deliver three batches of plates in the current year. The Director General is constantly reminding them, but the work is progressing very slowly. Having been entrusted to one firm, it cannot be taken away now and entrusted to another.

## GRANT 53—OTHER SCIENTIFIC DEPARTMENTS.

557. *Mr. Neogy*.—Grant 53, page 204. We want to know something about the future of the museum, particularly with regard to the financial responsibilities of the Government of India.

*Mr. Reid*.—We are at present giving a fixed grant based on average expenditure. What we are considering is whether we can do away with that and substitute a grant based on actual expenditure.

558. *Mr. Das*.—You are not handing it over to the Bengal Government ?

*Mr. Reid*.—There is no such proposal. All that is happening is that, as budgetary arrangements between the Government of India and the Trustees are not very satisfactory, we are considering whether we can improve them.

559. *Mr. Neogy*.—The control and management of the Central museum is vested in a body of trustees who derive their powers under a statute ?

*Mr. Reid*.—Yes.

560. *Mr. Neogy*.—Is this institution then regarded as a Government institution strictly so called ?

*Mr. Reid*.—Its expenses are all met by the Central Government, and so I suppose it may be considered a Central Government institution.

561. *Mr. Neogy*.—As the trustees entertain the establishment, are they supposed to be Government officers ?

*Mr. Reid*.—Members of the trustees' own office are trustees' servants.

562. *Mr. Neogy*.—Are they non-pensionable ?

*Mr. Reid*.—I am afraid I cannot answer that question off-hand.

563. *Mr. Neogy*.—I should like to know something more about this. You find (a) (1) : pay of establishment, (a) (2) "grants in aid". "Grants in aid" to what ?

*Mr. Reid*.—To the trustees.

564. *Mr. Neogy*.—So when you talk about establishment, your remarks relate to people who are really Government servants ?

*Mr. Reid*.—No. The establishment is the trustees'.

565. *Mr. Neogy*.—If they are servants of the trustees, why do you show them under a separate sub-head in page 204 ? Why not include in the general grant in aid ?

*Mr. Reid*.—The "pay of establishment" may, I am not sure, be pay of the establishment of other sections. I cannot say definitely at the moment. There are six sections of the Museum, and five of them are run directly by various Government departments.

566. *Mr. Neogy*.—So the establishments really relate to Government departments ?

*Mr. Reid*.—It may perhaps be the case.

*Sir Frederic Gauntlett*.—I should investigate that point. The only comment I would make at present is that it is perfectly obvious that the total establishment of the Central Museum must cost considerably more than Rs 5,000 a

year. Therefore there seems to be some small residue which is now paid for by Government, and I am quite prepared to ascertain whether in fact those are Government servants and ought to be paid by Government.

567. *Mr. Roy.*—Do you pay any rent for storage of quinine in the Indian Museum?

*Mr. Reid.*—I am not sure but I believe no rent is paid.

568. *Mr. Neogy.*—Grants in aid to scientific societies and institutes, sub-head (p). May I know if it is incumbent on such institutes to submit accounts compulsorily or at their option?

*Sir Frederic Gauntlett.*—There is a recommendation of the Public Accounts Committee which has been accepted by the Government. My recollection is that the recommendation of the committee is that that if the grant in aid by Government forms a major part of the receipts of the institute, we should see the accounts. If it is only a subsidiary part, we should not.

569. *Kumar Ganganand Sinha.*—I find from page 204, though it is a very small amount, a sum of Rs. 267 sanctioned to the Bose institute. May I know the special circumstances in which that sum was granted?

*Mr. Ram Chandra.*—This sum represents the sixth and the final dividend due from the liquidators of a firm to Sir J. C. Bose. The amount was credited to Government through the High Commissioner's account for December 1925. But as no claim was received from the Institute till 1927-28, the allotment was sanctioned from the reserve at the disposal of the Finance Department.

570. *Maulvi Abdul Matin Chaudhury.*—At page 212, it is said: "In view of the explanation of the savings the circumstances in which the supplementary grant for a large amount was applied for in March 1928 appear to require consideration".

*Mr. Ram Chandra.*—The circumstances were special. The organising Secretary of the Congress of Tropical Medicines was under the impression that the allotment made by Government was in the nature of a grant in aid for non-Government institutions. He was therefore anxious to draw the whole allotment before the end of the financial year. A supplementary grant was therefore obtained, but the Pay and Accounts Officer objected to the procedure and said that this should not be treated as a grant in aid to a non-Government institution, but that it should be treated as expenditure on ordinary Government projects. Therefore the organising Secretary had to refund the unspent balance of the money that was with him.

#### GRANT 57—AGRICULTURE.

571. *Chairman.*—Grant 57, page 232. I think this is one of those cases where the Committee might express some opinion, about 'New services'.

*Sir Frederic Gauntlett.*—I suggest the witnesses should be asked to state the position as they see it. Then we should reserve the point for further discussion.

*Mr. Reid.*—In the first place, Sir, I think this is a point for the Finance Department. In technical matters such as this I think it is the function of the Finance Department to state the position.

(Mr. Burdon, Secretary, Finance Department, then read out to the Committee the memorandum which was issued by the Finance Department in connection with the taking over of the Creamery). Mr. Burdon then added :

It is not one in which the Finance Department are inclined to take a positive or immovable view. It is really a question for the Committee to say or to set down the case law, how the Legislative Assembly would like an item of this kind to be treated. Whatever the Legislative Assembly say, the Government of India will be prepared to follow.

*Chairman.*—There are two points of importance involved. First of all that the approval of the Standing Finance Committee had been obtained for running the creamery as a temporary measure, therefore it was not something entirely new, but it was merely taking over an existing institution. The second point is that it had been taken over by one department from another. The second point does not impress me very much.

*Sir Frederic Gauntlett.*—I agree. The main argument which I would ask the Committee to bear in mind is the fact that the purchase of the creamery committed the Government to the retention of this creamery by the Agricultural Department as a permanent asset. It is perfectly true that the Standing Finance Committee of the Assembly approved it.

*Chairman.*—Would you mind dealing with the other point first, that it was taken over by one Government department from another. What do you think about that as an argument?

*Sir Frederic Gauntlett.*—The new service not contemplated in the budget has to be interpreted as meaning the whole budget of the Government of India. It only indicates one of the terrible complications which arise from the division into non-voted and voted. I find it very difficult to interpret the word 'budget' in the Government of India Act with this division between voted and non-voted. Theoretically, the interpretation is quite simple. The budget is a budget as a whole, whether it is voted or non-voted. But I think the Assembly is perfectly entitled to urge that a definite distinction should be drawn between those grants for which they have to find the money and for those over which they have no control whatever. It is a very complicated position and that is the reason why I am anxious to have this point discussed.

*Chairman.*—What you say is that, normally speaking, the budget is the budget as a whole. Therefore, the service that has already been provided for in the budget of one department does not constitute a new service if it is transferred from the budget of that department to the budget of another department. But if the transfer is one from a non-voted budget to a voted portion of the budget, then the Government of India certainly ought to take that matter into account.

*Sir Frederic Gauntlett.*—I am perfectly certain that the Legislative Department does not make any difference but as a matter of practice I am quite certain that it ought to make a difference.

*Mr. Neogy.*—Would you not like to make any distinction between "transfer" and "purchase", because the expression used by Mr. Burdon was "transfer".

*Sir Frederic Gauntlett.*—Here you have a definite purchase. It is perfectly true that the Assembly is being asked to pay a sum of money for its purchase.

*Mr. Neogy.*—And besides it is for a semi-commercial purpose, because the creamery was not intended to facilitate research work but it was intended to be self-supporting. At the time when we sanctioned it, we were under the impression that we were going in for a commercial service and not merely a research service.

*Sir Frederic Gauntlett.*—Those are the points which have weighed with the Accountant-General, Central Revenues, in thinking that the creamery might be regarded a new service, and it is for these reasons that I have brought the matter before the Committee.

*Chairman.*—The point that has been made about the purchase is quite an important one because that after all puts the selling department in the possession of funds which have not been voted for it by the Legislative Assembly.

*Sir Frederic Gauntlett.*—But the Army Department is non-voted.

*Chairman.*—That is another complication. Even if it was a voted department, that department will get possession of funds which have not been voted by the Legislative Assembly. Therefore, the purchase of an undertaking like this by one department from another department seems to me to create a new condition altogether. I do not think you can get out of the fact that that is a new service. Nothing was included in the budget for the purchase of it. There are two points in this case. (1) It has been transferred from a non-voted budget to a voted budget; and (2) that it actually involves payment of money for the purchase of an asset which has not been provided for in any budget. You cannot say that this sum has been in any way provided for in the budget of the Government of India.

*Mr. Shervani.*—The service is always for a particular purpose. Suppose we transfer certain soldiers from the Military Department for training in Government colleges, that would certainly be a transfer of certain persons from one department to another, but that new service must be supplied by a vote of the Legislative Assembly. My point is that a service should be determined from the purpose for which it is maintained at present. This dairy was maintained for supplying a certain amount of cream to the army. But now it is maintained not only for that purpose but also for the purpose of training.

*Chairman.*—I am not quite sure about that because the dairy was maintained for the purpose of producing cream and milk to be sold. It does not matter whom it was sold to.

*Sir Frederic Gauntlett.*—The answer to Mr. Shervani is that when the Standing Finance Committee acquiesced in the temporary arrangement and when the Assembly voted money for the temporary arrangement, it was quite clearly understood and contemplated that the creamery would be used not only for the supply of milk and cream and butter but also for the training of people in dairy work. Therefore, there has been no change of utilisation between the time when it was on a temporary basis with the concurrence of the Assembly and the time when the purchase was made and it became the final asset of the Civil Government.

*Mr. Shervani.*—My answer is that when you require a temporary expense for a particular thing you go to the Assembly for a vote, but when you require that thing permanently, you do not go to the Assembly.

*Sir Frederic Gauntlett.*—But we are arguing that we should.

*Chairman.*—That is the second point. But it has been proved that the fact that the working of this part of the Agricultural Department has been approved by the Standing Finance Committee does not in any way alter the situation. It has already been approved and therefore it was not a new service. What we have to consider now is that the Standing Finance Committee's approval was given to a temporary arrangement and, as the Auditor General has said, by purchasing the undertaking you really made the arrangement permanent and therefore I think a new state of affairs is created. My general conclusion on both the grounds is that this ought to have been treated as a new service.

*Mr. Mitra.*—There is a further point to be considered. There was a distinct understanding in the beginning that the intention was to work it at a profit, but it has been working at a loss.

*Chairman.*—The position now is that under the arrangement originally contemplated by the Standing Finance Committee, they could have terminated it at any time without any loss except the loss incurred on the working during the period for which it was worked. But now that they have purchased it from the Army Department, they have not only got to consider the working loss but also the disposal of the undertaking for which they paid Rs. 60,000. There may be a heavy loss on that account. I must say, at the same time, that on both grounds neither argument against its being a new service is a valid one. It is a doubtful point. Is that the general view of the Committee? (The members expressed consent.)

572. *Mr. Neogy.*—What prospects are there of making this factory self-supporting?

*Mr. Reid.*—We hope for better things in the future particularly when we have secured an Animal Husbandry expert for the Agricultural Research Council. I believe there was a slight improvement in the financial position last year but we hope for the greatest measure of improvement when we get our Animal Husbandry expert.

573. *Mr. Neogy.*—In the comments portion of this report reference is made to the very large stock that you are carrying of butter.

*Mr. Reid.*—It has been disposed of since, at a very slight loss only.

574. *Mr. Roy.*—You are expecting an Animal Husbandry Expert on the Agricultural Research Council. Will he be a third member?

*Mr. Reid.*—Yes; he will be the third whole-time member of the Council.

575. *Mr. Neogy.*—Who looks after the commercial aspect of this undertaking?

*Mr. Reid.*—At the present moment the Manager of the Dairy looks after it, under the general control of the Agricultural Adviser.

576. *Mr. Roy.*—The administrative part of it will be looked after by the President of the Research Council in future ?

*Mr. Reid.*—The Director of Pusa will be in charge, but he will have the advice of the expert on the Agricultural Research Council whenever he requires it.

577. *Sir Frederic Gauntlett.*—Was not Mr. Smith in charge of the Dairy ?

*Mr. Reid.*—Yes ; he is in general charge of the Creamery and the Dairies generally ; I should have mentioned him before.

578. *Chairman.*—I cannot believe that the Expert on the Central Research Council is going to help us very much as regards the marketing of butter. If you want to make your Dairy pay, you must have a good business manager ; your experts cannot help you at all.

*Mr. Burdon.*—Mr. Smith is a very efficient business manager. He is in direct charge of the Dairy farm at Bangalore and also of all the other dairy farms. He was taken over from the Army when I was Army Secretary. The Education Department asked for his services. We were very reluctant to let him go.

579. *Chairman.*—Were the Army Department running it at a profit ?

*Mr. Burdon.*—There is a great deal of literature on the subject of Military Farms Department. After the war they were not running their farms at a profit but at a considerable loss every year.

*Chairman.*—I think we have arrived at a sufficient conclusion as regards the main points to which the Auditor General has directed our attention on the question of classification of new services. That finishes the comments on Grant No. 57.

#### GRANT 58—CIVIL VETERINARY SERVICES.

580. *Chairman.*—*Grant No. 58. Important Comments, pages 291 to 292 of the report.*—Mr. Reid, could you tell us anything about the action taken against the responsible officers ?

*Mr. Reid.*—The case, I hope, has been closed now. The officer chiefly concerned was offered the choice of resignation or removal, and has since resigned. He has left for England finally.

*Chairman.*—Do you think there are any further questions to be asked on that ?

*Sir Frederic Gauntlett.*—I think we might have a rather longer explanation because, although it is true that the head officer has gone, there are questions relating to the subordinate officers. I think the Committee might have a fuller statement of the whole case.

581. *Mr. Neogy.*—Was the amount actually spent ?

*Mr. Reid.*—Yes ; there is no allegation that any money was misappropriated. The money was spent, though it was not spent exactly in the way that it purported to be spent. We have issued a letter on the subject to the Auditor General which deals with the whole case including the subordinates.

*Sir Frederic Gauntlett.*—I have not had an opportunity of studying it.

582. *Chairman*.—Could you give us some idea of it ?

*Mr. Reid*.—I can give you the position in a few words. The view taken by the department which I am representing is that all these subordinate officers who are men on low pay, were acting under the influence of the Director who was the leading spirit in the whole affair. When his case was referred to the Public Service Commission they recommended that he should be removed if he would not resign. After a reference to the Secretary of State had been made and he had approved the Commission's view, a further offer was, after certain negotiations and reconsideration of the case, made tentatively to him. The offer involved his degradation; he was to be removed from the Directorship and put into a post which happened to be vacant, that of first Veterinary Research Officer, on reduced pay. After some three months' deliberation over this offer, he refused it, resigned and left the country within a week.

The Government of India then proceeded to pass orders on the case of the subordinates. Their view was that, as the subordinates all acted under the instigation of the head, he must take the main blame of the case. As, he had been leniently treated particularly in being made the offer referred to the subordinates should also be leniently treated. Two of them have now resigned. They have all been censured, and the case has been closed in that way.

583. *Kumar Ganganand Sinha*.—Why was he leniently treated ?

*Mr. Reid*.—Partly because in view of his expert qualifications we did not wish to lose him if we could help it; in his own line he was the first man in India. Partly also because throughout the case he had no motive except the well-being of the Institute as he saw it. On the whole for these reasons as we considered, he received lenient treatment.

*Mr. Burdon*.—May I point out for the information of the Committee that for the future it has been decided that the functions of the administration and the functions of the expert research officer should be separated, and we propose to go before the Standing Finance Committee shortly with a proposal that an officer of the Indian Audit Accounts Service should be placed on special duty to go to the Institute and put the future system of administration on sound lines.

*Chairman*.—I take it that the Committee is satisfied with the explanation they heard from Mr. Reid in the case ?

584. *Mr. Shervani*.—May I repeat the question that was put by Mr. Neogy? Has the sum been spent on the football and hockey fields ?

*Mr. Reid*.—Yes, it has been spent. The work done was irregular, and conducted by objectionable and fictitious methods, but there was no speculation or misappropriation by anybody.

*Mr. Neogy*.—There has been moral turpitude in the sense that they practised a deception with the Assembly.

*Mr. Reid*.—I should like to add that the Director was a scientific officer and not versed in accounts work. He suggested on at least one occasion, that he should have the assistance of some expert in accounts to keep him straight in such matters. That in part explains the case.



*Mr. Shervani.*—To me Rs. 41,000 seems to be a very big sum to spend on football and hockey fields ?

*Mr. Reid.*—The field had to be built out of the side of a hill.

*Chairman.*—I think this point has been carefully gone into and the evidence shows there has been no peculation.

585. *Mr. Neogy.*—Refer to page 82, paragraph 68,—a case of double payment.

*Mr. Reid.*—That is only a matter of adjustment. The Institute asked for payment to be made in January in future ; as the subscription was formerly paid in April, two payments fell within the same year.

**Evidence taken at the tenth meeting of the Public Accounts Committee held on Saturday, the 17th August 1929, at 2-45 p.m.**

**PRESENT :**

- |  |                             |
|--|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER, <i>Chairman.</i>                    |                             |
| (2) Mr. T. A. K. SHERVANI,   | } <i>Members.</i>           |
| (3) Mr. B. DAS,  |                             |
| (4) Mr. S. C. MITRA.   |                             |
| (5) Kumar GANGANAND SINHA,   |                             |
| (6) Maulvi ABDUL MATIN CHAUDHURY,  |                             |
| (7) Mr. K. C. NEOGY,   |                             |
| (8) Maulvi MOHAMMAD YAKUB,   | } <i>Were also present.</i> |
| (9) Mr. K. C. ROY,   |                             |
| (10) Sir FREDERIC GAUNTLETT, Auditor General,                            |                             |
| (11) The Hon'ble Mr. E. BURDON, Financial Secretary,                     |                             |
| (12) Mr. J. E. C. JUKES, Controller of Civil Accounts,                   |                             |
| (13) Mr. O. A. TRAVERS, Accountant General, Central Revenues,            |                             |
| (14) Mr. A. C. BADENOCH, Director, Commercial Audit,                     | } <i>Witnesses.</i>         |
| (15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department, |                             |
| (16) Mr. B. NEHRU, Deputy Auditor General.                               |                             |
| Mr. H. A. F. LINDSAY, Joint Secretary, Commerce Department,              |                             |
| Mr. A.deC. WILLIAMS, Deputy Secretary, Legislative Department,           |                             |

586. *Chairman.*—Mr. Lindsay, we just want to ask you one or two questions and will start with Appendix II.

With regard to serial No. 1 at page 7. is there anything to be said about that ?

*Mr. Roy.*—Mr. Lindsay, why do you want to wait till the new Church measure comes into force ? It is just a question of division of expenditure between you and the Army, is it not ?

*Mr. Lindsay.*—Yes.

*Mr. Roy.*—Has the Army been consulted ?

*Mr. Lindsay.*—Yes.

*Mr. Roy.*—And what is their answer ? They are required to bear their share, is it not ?

*Mr. Lindsay.*—Yes, as far as I know. But we want to know exactly how we stand under the new system, and also further there is the technical question of the actual form in which we shall give effect to this decision. We cannot actually give effect to it until the division has taken place.

587. *Mr. Roy.*—But you are agreed that there should be a division of the charge between civil and military ?

*Mr. Lindsay.*—Yes.

*Mr. Burdon.*—I should like to add something on that point. What will be involved if these ecclesiastical charges are classified as military is that there will be constituted an Army Chaplaincy Department such as that existing in the United Kingdom. That is a proposition upon which the late Lord Rawlinson was very keen indeed. He was at one time very anxious to do it and he was dissuaded from pursuing the proposal because he realised that he would prejudice the case. It is a very important question of the established church in India and it was for that reason that the matter has been held in abeyance, and I am very much afraid myself with my experience of the Army and civil administration that when the thing comes to pass there probably will be some duplication and probably additional expenditure. I think it is very likely that that will be found to be the administrative result; but apart from that, for the moment it seems to be perfectly clear that the change must wait because if you do have a separate Army Chaplaincy Department catering solely for the religious needs of the British troops in this country then the Indian church in its infancy will probably not be able to provide for the needs of others.

588. *Mr. Roy.*—There is only one point I want to ask you, Mr. Burdon. I think the whole idea is the division of charges between civil and military.

*Mr. Burdon.*—That may be the idea in certain quarters but I am telling you something else that is very liable to come on tapis.

589. *Mr. Roy.*—But it will increase the military charges to have an Army Chaplaincy Department and we will be confronted with three churches, the established church, the Roman Catholic and the Wesleyan.

*Mr. Burdon.*—Under our existing arrangements the charges on account of Roman Catholic priests are already borne on the Army estimates, the charges on account of Wesleyan priests who administer to British troops are also borne on the Army estimates. The main question is with regard to the Church of England.

590. *Mr. Mitra.*—We want to know if there are any particular churches other than Anglican which are exclusively used by the army.

*Mr. Burdon.*—I think there is one class. I am talking of the Scottish chaplains.

591. *Chairman.*—May we pass to serial No. 22—Early Revision of Ecclesiastical Rules? It really hangs together.

*Mr. Lindsay.*—It does hang together with the first one. The rules are actually ready in draft, but we want to make quite certain that they square with the future position.

*Mr. Roy.*—The first notification of this subject is already out?

*Mr. Lindsay.*—That is right.

#### GRANT 45—PORTS AND PILOTAGE.

592. *Chairman.*—Now turning to the Accountant General's Report under grant 37, the Auditor General has no comments on his letter. Grant 45, Ports and Pilotage we want to refer to pages 159 to 170 of the Report and paragraph

41 of the Auditor General's letter. Perhaps you would explain the points, Sir Frederic, here ?

*Sir Frederic Gauntlett.*—The point very briefly is this, Sir. There was a provision in the estimates for the conversion of the "Dufferin" into a training ship and the amount allotted in the estimates was a lakh and 41 thousand. The actual expenditure was 4 lakhs and 36 thousand, which is over three times the amount of the original allotment. At the bottom of page 165 in note f (6) one will see the details which worked up to the difference, and the question for consideration is whether the difference between the expenditure and the grant has been undertaken on items which are so radically different from what was contemplated when the budget was prepared that they ought to be regarded as new services. I confess I cannot quite understand, for instance, why the purchase price was not provided in the original allotment.

*Chairman.*—I agree.

*Mr. Lindsay.*—That was because the Marine Department never gave any indication at first that they were going to ask for any price to be paid for the "Dufferin."

593. *Sir Frederic Gauntlett*—Might we have an idea as to what was contemplated and what items made up the original amount asked for which was a lakh and 41 thousand ?

*Mr. Lindsay.*—Those were the original estimates of what it would cost to alter the ordinary officers' accommodation on the "Dufferin" to the accommodation required for the training of apprentices.

594. *Sir Frederic Gauntlett.*—So that, although it was known that the ship would have to be purchased, as you had no idea what they would charge you, no provision was made in the budget?

*Mr. Lindsay.*—It was not anticipated that any charge would be made. The "Dufferin" was on the shelf.

*Sir Frederic Gauntlett.*—Surely, the Department being a Commerce Department, you did not think you would not have to pay for the ship ?

*Mr. Lindsay.*—We thought that if they wanted money for it they would come up for it at the proper time.

*Sir Frederic Gauntlett.*—That is really a point of budgeting rather than anything else, Sir.

*Chairman.*—It is, but I think that the inclusion of the purchase price made such a radical alteration in the whole proposition that the original authority can hardly be taken to have covered it.

*Sir Frederic Gauntlett.*—There are many other changes too. That is why I asked if Mr. Lindsay could give us an idea of what items were included in the original figure.

*Chairman.*—It is very hard to say that it is a new service. It is different from the case we were considering before where a man arranged to hire and take the thing just at the working expenses and then decided to purchase it. That is quite different. The ship was always intended to be acquired here.

*Sir Frederic Gauntlett.*—That is my point. I regard that rather as defective budgeting.

595. *Mr. Roy.*—This scheme arose out of the recommendations of the Indian Mercantile Marine Committee?

*Mr. Lindsay.*—That is so.

596. *Mr. Roy.*—And the Director of the Indian Marine was the President of the Committee. Did he not put a proposition before you?

*Mr. Lindsay.*—No. He gave no intimation that it would be necessary to pay for this vessel. The principle we went on was what is it going to cost to alter the Captain's cabin and the officers' cabin, the smoking room, etc., into a new series of cabins which would be allotted to apprentices' class rooms.

597. *Chairman.*—How is this money actually provided?

*Mr. Lindsay.*—By reappropriation. It is a large sum. We get it from E. (2) (5), E. (2) (8), and E. (2) (9).

598. *Chairman.*—Can you remember anything about this, Mr. Burdon?

*Mr. Burdon.*—About the "Dufferin"? I imagine it is simply a question of an oversight; that the Marine Department at the beginning never thought of getting anything for the "Dufferin" and that afterwards it was probably picked up by the Controller of Marine Accounts or picked up in some such way, and it was decided that the Marine Department were entitled to claim something for this.

599. *Mr. Neogy.*—Who made the valuation?

*Mr. Lindsay.*—The Marine Department, and we had to accept it.

600. *Mr. Roy.*—But was not the "Dufferin" an obsolete ship? It would have been broken up if it had not been taken up for this purpose?

*Mr. Lindsay.*—Yes.

601. *Mr. Roy.*—Mr. Burdon, you know that the scheme has been a great success?

*Mr. Burdon.*—I know. I have seen the boys at work and I know that the Commander of the "Dufferin" is extremely pleased with these results.

602. *Sir Frederic Gauntlett.*—May I make one more comment? The next most important item is No. 2, additional work necessary on account of the ship having been laid up for a long time in which she had been put out of commission. My general view of the whole position is that there was a definite decision of the Legislative Assembly that this ship should be obtained and converted into a training ship. The amount which it was estimated that conversion would cost was ridiculously under estimated. I should prefer myself to regard the whole of this as very bad estimating rather than the undertaking by the executive authorities of a new service.

*Chairman.*—Yes, I quite agree. I do not see how you can consider it as new service.

*Sir Frederic Gauntlett.*—I merely bring this up as the Audit Officer has raised the question.

603. *Maulvi Mohammad Yakub*.—Who made these estimates ?

*Mr. Lindsay*.—An expert who came out and saw the “Dufferin” and estimated the cost of conversion. But if I may just add a word of explanation to that, Sir, it is that none of these additional alterations could possibly have been estimated at the time, because they all came out when the “Dufferin” was so to speak dug into and the condition of the plates and so on was estimated. A lot of it had to do with the replacement of old plates by new plates.

604. *Maulvi Mohammad Yakub*.—Probably if an expert was brought out it was to find out all these things.

*Mr. Lindsay*.—No, Sir, I think it was on the merits of the scheme and the “Dufferin” together.

605. *Chairman*.—But the things you refer to could not have been discovered until the work had actually commenced. At the same time, an expert ought to have been able to say that his estimate was little better than a guess because until you started work you could not tell what was necessary. He ought to have said so. Was a further reference made to the Standing Finance Committee about this ?

*Mr. Lindsay*.—No, Sir. We discovered it right at the end of the financial year. What happened was when they found out that these repairs were necessary they went on with them—the R. I. M. went on with the repairs. The Accountant General, Bombay, discovered the excess and reported it ; and it was some time before it came to the Commerce Department and that was right at the end of the financial year.

606. *Sir Frederic Gauntlett*.—Does not that raise the question, Sir, of the authority of the people on the spot to spend so very much more money than had been allotted from headquarters ?

*Chairman*.—I think it does. I think the whole incident raises a great many important questions. Fortunately it so happens that the scheme is a success and we know now that if we knew what the scheme was going to cost it would still have been approved.

607. *Maulvi Mohammad Yakub*.—Somebody should be held responsible for it.

*Mr. Lindsay*.—I am afraid the responsibility rests with the expert.

*Maulvi Mohammad Yakub*.—Have they appreciated his services ?

*Mr. Roy*.—But it is difficult to estimate the refitting of a ship.

*Kumar Ganganand Sinha*.—Did you pay the expert anything ?

*Mr. Lindsay*.—Yes. But I very much question whether the expert could possibly have found out all the repairs that were necessary to the ship merely from a survey of it.

*Chairman*.—What he ought to have done in these circumstances was to say : I can estimate certain parts of the work and for the rest it is mere guess work and you ought to have an ample provision to cover contingencies. That would have been all right.

*Mr. Roy.*—Mr. Lindsay, you will admit that there were *extenuating* circumstances for under-estimating?

*Mr. Lindsay.*—Yes, I think it is quite impossible to have given more than what Sir George has said, a sort of warning that this is a preliminary estimate and by the time you get down to it, it is going to cost you very much more.

*Chairman.*—Are you quite sure that he did not say that?

*Mr. Lindsay.*—I am not quite sure, Sir. I do not think he could have said that, for if so we should have been able to anticipate a possible excess.

*Mr. Roy.*—Did he come out from England?—or was he from the R. I. M.?

*Mr. Lindsay.*—He came out from England.

*Sir Frederic Gauntlett.*—Do you suggest it has rather lowered the value of having English experts?

*Mr. Burdon.*—I might explain in justice to the expert that he was much more an expert in nautical training for boys, and I think he had something to do with a training ship which is run by Lord Inchcape in connection with his steamship companies and I should not think this gentleman really had any expert knowledge of ship fitting and ship construction, or anything of that kind. He was essentially an expert on nautical training for marine cadets.

*Maulvi Mohammad Yakub.*—Then the responsibility is on those who brought him out.

*Mr. Burdon.*—The responsibility for estimating the cost of alterations to the “Dufferin” lay very much more with the Marine Department of the Government of India. It was their ship and if the work was done in their dockyard they were the people really to know.

608. *Sir Frederic Gauntlett.*—Might the witness be asked whether he has any comments to make on whether the authorities on the spot are entitled to spend three times as much as is provided in the budget without previous sanction?

*Mr. Lindsay.*—It was certainly a surprise to us, Sir, when we received this intimation, not from the R. I. M. direct but from the Accountant General, Bombay.

*Mr. Roy.*—After the money had been actually spent.

*Sir Frederic Gauntlett.*—Has he powers allotted to him? Did he exceed his powers?

*Mr. Lindsay.*—Well, I am afraid I cannot say. We gave him no special powers to go ahead apart from all financial considerations.

609. *Maulvi Mohammad Yakub.*—What measures were taken to meet the difference?

*Mr. Lindsay.*—We did the best we could and reappropriated it.

610. *Maulvi Mohammad Yakub.*—Who provided the officer?

*Mr. Lindsay.*—He is not under our control.

611. *Mr. Roy*.—The point which arises is that you incurred three times more expenditure than was estimated. Did the Accountant General pass all the bills without inquiry ?

*Sir Frederic Gauntlett*.—When the excess came to notice, the Accountant General reported it to the Government of India ; that is how it came to light.

612. *Mr. Roy*.—Did he pass the bills ?

*Sir Frederic Gauntlett*.—No, the bills are post-audited. The bills are actually paid on the spot and then they come to the Audit officer for audit and he keeps a running record of the total amounts paid against this particular allotment and when he finds that the allotment has been exceeded he reports it ; and he reported it to the Government of India and that is the way in which the Government of India came to know about it. My point is : did the officer exceed his powers which had been granted to him by the Government of India ?

*Chairman*.—That is the question which I want answered.

*Mr. Lindsay*.—As far as the Commerce Department are concerned, he did. We secured approval for the estimate and the work was put in hand.

613. *Mr. Mitra*.—There is no general provision that the cost should not exceed the estimate by so much per cent.?

*Mr. Lindsay*.—No. There was no such general instruction.

614. *Chairman*.—But was this work being done really on contract for the Commerce Department by another Department over which the Commerce Department had no control ? Was that the position ?

*Mr. Lindsay*.—I cannot say it was exactly on contract, Sir, because we had this estimate to work on and we merely gave instructions for the work to be carried out.

615. *Chairman*.—What we really want to know is at what point the excess became known and what action was taken. At what point ought the excess to have become known ?

*Mr. Lindsay*.—The excess became known when the bills went to the Accountant General.

*Mr. Roy*.—All the bills or part of the bills ?

*Mr. Lindsay*.—It was some time before the Government was finally told, and the Accountant General drew the attention of the Government to the excess.

616. *Sir Frederic Gauntlett*.—I think the position is rather more complicated than has been indicated up to the present. If I understand the position aright, the Commerce Department of the Government of India asked the Army Department to be their agent and the work was entrusted to the Marine Dockyard, Bombay, which is under the Marine Department which is part of the Army Department. The actual work done by the Marine dockyard would be audited and brought to account initially by the Controller of Marine Accounts who is under the Marine Accountant General ; then the debits against the civil departments would be passed on by him to the Accountant General, Bombay. Well, by the time all that process has been carried out, that is,



from the date that the money is spent to the date that the Accountant General, Bombay, gets to know of it, it may take three months, but the moment the Accountant General found those amounts were exceeded, you can take it, that he reported to the Commerce Department and that is how the thing came about. That raises the question of the responsibility of the Superintendent of Marine Dockyard ; what powers he has of exceeding any estimate on which he has to work. It is true that Mr. Lindsay will not be able to answer that question because the Superintendent of Marine Dockyard is under the Army Department and not under the Commerce Department. That is the position ?

*Mr. Lindsay.*—Yes.

617. *Chairman.*—But I think we want to find out exactly what the arrangement was between the Commerce Department and their agents who undertook the work, because the Marine Department must know that they ought not to enter into an agreement which might produce any excess expenditure of this kind. There ought to be some means of ensuring that, when it is known that the expenditure might be exceeded, it is immediately reported because the money is not there. This seems to have gone on without any action of that kind being contemplated.

*Sir Frederic Gauntlett.*—Well, the two intermediaries would be the Superintendent of the Dockyard in the first place and the Controller of Marine Accounts in the second place, and in the third place the Accountant General.

*Chairman.*—The Commerce Department was responsible in the first instance.

*Mr. Lindsay.*—We are not in direct touch with the....

*Chairman.*—But the Commerce Department had the authority to spend this money and they entrusted it to the agent to carry out without protecting themselves against this kind of excess expenditure. So the fault goes to that stage of the proceedings.

*Sir Frederic Gauntlett.*—I think we might ask the witness whether they made any arrangements whatever.

*Mr. Lindsay.*—None more than communicating the estimates to the Marine authorities for the execution of the work.

*Sir Frederic Gauntlett.*—Assuming that they were not to be exceeded.

618. *Mr. Neogy.*—Was it not part of the Controller of Marine Accounts' duties to say that the estimates were being exceeded ?

*Sir Frederic Gauntlett.*—That would certainly be part of his routine duties.

619. *Mr. Neogy.*—Who is the Audit officer ?

*Mr. Roy.*—The Controller of Marine Accounts.

*Sir Frederic Gauntlett.*—In Bombay ? I cannot say for certain.

*Maulvi Mohammad Yakub.*—Did your Department make any report to the Government of India when this fact came to your notice ?

*Chairman.*—They provided for it by reappropriation. They went to the Standing Finance Committee and asked for sanction of the excess expenditure in this case and they had money available for reappropriation.

620. *Sir Frederic Gauntlett.*—Have you any idea, Mr. Lindsay, of the form of the estimate handed over to the Marine Department ?

*Mr. Lindsay.*—It was a detailed estimate. It was not simply a lump sum for them to work within.

*Sir Frederic Gauntlett.*—And had it been prepared by the Marine Department originally ? Or did it come to you through the Marine Department ?

*Mr. Lindsay.*—It came to us from the Royal Indian Marine.

621. *Sir Frederic Gauntlett.*—And you assumed, when you handed that estimate over, that their responsibility for working within that estimate would be the same as their responsibility for keeping within their estimates for their own work ?

*Mr. Lindsay.*—Yes, because they are working just as much in the interests of Government as we are. They are also a Department of the Government of India. It did not seem to us necessary that one Government Department should say to another Government officer : “ Mind that you keep within that estimate.” We should say that to a contractor, not to another Government officer.

*Chairman.*—I should say it was all the more necessary if the other officer was not responsible for finding the money.

However, it seems to me we want to know more details about this because there may be certain lessons to be learnt from this on which the recommendations of the Committee might be based. I think you know, Mr. Lindsay, the various questions that we have put to you, and we should like to have from your Department as early as possible, so that we may be able to deal with it before we write our report, a full statement showing exactly what happened. Because obviously this is a sort of thing which ought not to happen and we want to know exactly at what point it went wrong.

*Mr. Das.*—We should like his answer early so that we might raise the question with the Department of Military Accounts.

*Chairman.*—I should think Mr. Lindsay’s report will give us all we want.

622. *Chairman.*—Now, as regards paragraph 41 (b) of the Auditor General’s letter (p. 164 of the Report), have you got anything to say ?

*Mr. Lindsay.*—I can explain what happened there. It was in connection with the provision of a new lightship for the Burma lighthouse administration. It was decided in consultation with the Burma Government to obtain sanction for the replacing of four old lightships by four new ships as they were so old as to be almost useless. One was replaced in 1925-26 : one in 1926-27. In 1927-28 the provision was that shown under E. 2 (5) and E. 2 (9) on page 164—for the purchase of a lightship from England and for the assembling of that lightship and putting it into commission in Burma. In that year Mr. Stevenson came out to report on the lighthouse administration of India in general and he gave it as his opinion that instead of getting a new ship it

would be possible to repair the old ship and put it into commission ; and that recommendation was referred to the Lighthouse Committee, who turned it down and that is the reason why these grants under sub-heads E. 2 (5) and E. 2 (9) were not utilised.

623. *Chairman*.—You mean they were delayed ?

*Mr. Lindsay*.—Yes, while Mr. Stevenson's report was being examined by the Committee. As regards E. 2 (8), the supervision of the Lighthouses on the Burma coast had been done for us by the R. I. M. vessel 'Clive' and when the R. I. M. threatened to withdraw that vessel, we had to make our own provision for the supervision of the lighthouses during the subsequent year, 1927-28. We could not tell at that time exactly what the cost was going to be and we framed a provisional estimate of just half of what the 'Clive' cost us : the Clive had cost us  $4\frac{1}{2}$  lakhs and we estimated  $2\frac{1}{2}$  lakhs, but the actual expenditure was just half of that.

624. *Sir Frederic Gauntlett*.—Have you any explanation why E. 2 (8) for which the original allotment was Rs. 2,27,000 was reduced to under Rs. 72,000 while the final expenditure was Rs. 1,12,000 ?

*Mr. Lindsay*.—It was as close as we could get ; we were depending on the Burma Government's Report on what this service would cost.

*Sir Frederic Gauntlett*.—Would you agree with the criticism that the forecast of the Burma Government was slightly inadequate ?

*Mr. Lindsay*.—It certainly proved to be inadequate ; it was as near as they could have got at the time.

625. *Chairman*.—You have not given us explanation of the other items—"Examples of indifferent budgeting appear under heads C. 1 (3), E. 1 (4) and F. generally" ?

*Mr. Lindsay*.—As regards C. 1 (3), this was due to the shifting of the shipping office to the Development Department building and also to the rent of new premises for the Shipping Office, Bombay. This office was originally located in the Custom House in Bombay and when the Custom House had to take back that accommodation for its own purposes, we had to find new premises at short notice.

626. *Mr. Mitra*.—F. 1 is rather important.

*Mr. Lindsay*.—This was the first year of the "Dufferin" ; the ship was three months out of commission—it was put into commission three months later than we expected.

627. *Mr. Das*.—As regards paragraph 2 on page 168 of the Report, does the Act come into operation from this year, 1929 ?

*Mr. Lindsay*.—Yes. We have now organised the complete staff of the lighthouse section.

628. *Mr. Das*.—Are they going to be put in the new organisation of the ports ?

*Mr. Lindsay*.—The port officers are already in existence : It is merely a transfer from the Local Government.

629. *Mr. Das.*—According to the Indian Shipping Act you have to divide them into six divisions ?

*Mr. Lindsay.*—Preparation has been made for that.

630. *Mr. Das.*—No more additional expenditure on that account ?

*Mr. Lindsay.*—No.

631. *Mr. Das.*—But there will be some extra expenditure on the light-house organisation ?

632. *Mr. Lindsay.*—Yes ; and there will also be a considerable amount of saving.

*Colonel Gidney.*—As regards the Bengal Pilot Service on page 159, will you kindly tell us whether the service is recruited in India or in England entirely ?

*Mr. Lindsay.*—Both, as far as I am aware.

633. *Colonel Gidney.*—Did you recruit for the last six appointments in India or in England ? I have it on information that they were all recruited in England without any competitive examination in India.

*Mr. Lindsay.*—I am afraid I must ask for notice of that question.

#### GRANT 61—COMMERCIAL INTELLIGENCE AND STATISTICS.

634. *Mr. Roy.*—Does Commercial Intelligence abroad come under this head or under the High Commissioner ?

*Mr. Lindsay.*—Under the High Commissioner.

635. *Mr. Roy.*—We were told that three trade commissioners would be appointed during the current year at Hamburg, Milan and New York, but nothing has been done : we were told last year that proposals had been sent to the High Commissioner and we would like to know what developments have taken place.

*Mr. Lindsay.*—The position is that the Government of India are considering the scheme which the High Commissioner has placed before them. It has been necessary to try and make one scheme for all six trade commissioners—Dr. Meek's scheme for near eastern countries also.

*Mr. Roy.*—Will it come in the near future ?

*Mr. Lindsay.*—Yes, certainly.

*Chairman.*—I may tell you a little more : the whole scheme has just come to the Finance Department and will have to be considered this year with a great many other schemes which involve the spending of more money and it will have to take its place with those ; it will come before the Standing Finance Committee of course.

*Mr. Das.*—We would recommend it to you wholeheartedly to be given effect to.

636. *Maulvi Mohammad Yakub.*—Have they decided what should be the qualifications and rules of recruitment ?

*Mr. Lindsay.*—All the details of recruitment, pay, leave, etc., are under consideration.

637. *Mr. Roy.*—There is a saving of Rs. 5,000 on books and papers.

*Mr. Lindsay.*—Yes ; that is in Commercial Intelligence and is due to the rule that the purchasing department should bear the cost of publications. In this particular case, I think it is rather of interest that the Aden administration required these publications ; we were expecting a bill from the Government of Bombay which never came so that, that represented a saving.

638. *Mr. Roy.*—Is the Indian Trade Journal a commercial proposition ?

*Mr. Lindsay.*—The journal pays its way : I do not think it makes a profit but we cover expenses.

639. *Mr. Roy.*—Are the Government advertisements paid for by each department ?

*Mr. Lindsay.*—They are not paid for.

*Mr. Roy.*—You could publish them in the *Gazette of India* then ?

*Mr. Lindsay.*—We take care that our own advertisements get precedence in the Indian Trade Journal.

640. *Mr. Roy.*—Why should not the Stores Department, for example, which has its separate budget, pay for its own advertisements in the Journal ?

*Mr. Lindsay.*—Those advertisements are as a matter of fact of tremendous help to the Journal because they increase the circulation and sale.

641. *Mr. Roy.*—At the same time you will admit that it is competing with private enterprise ?

*Mr. Lindsay.*—To a certain extent. I think Government Department of Commerce is bound to issue a journal—*e.g.*, the Board of Trade Journal.

*Mr. Roy.*—I have seen that journal—they do not publish advertisements.

*Chairman.*—The point might be considered.

642. *Mr. Das.*—The office of the London Stores Department is under the High Commissioner and that means that comes under your Department ?

*Mr. Lindsay.*—I am afraid I cannot say who is responsible for the Stores Department, London.

*Mr. Roy.*—To the best of my recollection you consolidate the stores required and send for them through the Industries Department and in the case of the Railways the indent goes through the Railway Department ?

*Mr. Das.*—The High Commissioner receives all these orders through the Commerce Department.

*Mr. Neogy.*—No, no.

643. *Mr. Das.*—My question is this. For the last few years we have been trying to have the staff of the London Stores Department reduced. The Commerce Member three years ago said that the staff of the London Stores Department had been increased owing to the acquisition of the State Railways, such as the G. I. P. Railway and the E. I. Railway and now we find from the High Commissioner's Audit Report that the London Stores Department purchased two millions in 1926-27 and it has been reduced to one million and odd in

1927-28. So I thought they are not doing much work and, as we have now got the Indian Stores Department, the Commeree Department can see their way to reduce the staff of the London Stores Department.

*Mr. Lindsay.*—I do not think it is subject to the Commeree Department.

GRANT 33—LEGISLATIVE DEPARTMENT.

644. *Mr. Neogy.*—Page 137 of the report. There is an excess of Rs. 15,515 under A.—Pay of Officers. This is explained as being due to the continued employment of the officer on special duty in connection with the revision of the Indian Contract Act throughout the year (Rs. 16,000) for whom no provision existed. I think this particular appointment was created for a specific period ?

*Mr. Williams.*—It was originally.

*Mr. Neogy.*—And the grant was obtained on that footing ?

*Mr. Williams.*—Yes.

*Mr. Neogy.*—When that period was exceeded by one year how is it that no separate sanction was obtained ?

*Mr. Williams.*—Of course, it was not anticipated at the time the appointment was originally sanctioned that the work would be so intricate as it was.

*Mr. Neogy.*—But when did it strike you that the period would have to be exceeded ?

*Mr. Williams.*—I suppose about six weeks before the original period expired.

*Mr. Neogy.*—Then what was the difficulty in your way in going up for a separate sanction altogether ?

*Sir Frederic Gauntlett.*—Going up before whom ?

*Mr. Neogy.*—Going up to the Standing Finance Committee certainly in any case and to the Assembly if necessary.

*Mr. Williams.*—I have not the papers with me at the moment, but I imagine an application was made in the ordinary way to the Finance Department ; it must have been. Certainly the Finance Department was addressed before the officer was permitted to continue on duty. I cannot tell you off-hand what period of the year it was but the Committee meets only twice a year.

*Mr. Neogy.*—But the excess represents one full year.

*Mr. Shervani.*—You could have had two opportunities.

*Mr. Williams.*—I was not here at the time but I am almost certain that that officer was not there for 18 months without sanction being obtained.

*Mr. Neogy.*—In any case Rs. 16,000 is the amount in excess. What was the rate at which that officer was being paid per month ?

*Mr. Williams.*—He was not a Government servant before. His pay would not have exceeded Rs. 1,500 a month.

*Mr. Neogy.*—Was it ever placed before the Standing Finance Committee ?

*Mr. Williams.*—I am afraid I cannot tell you off-hand. If I had had some notice of it I could have informed you. I was not here myself.

*Sir Frederic Gauntlett.*—Looking at the figures I can guess that the pay of the officer was Rs. 2,000 a month, that he was employed for four months of this year 1927-28 under the previous specific sanction and then he continued for eight months more. One point does emerge if he continued for eight months more, then he must have been actually employed when the Standing Finance Committee was on and the question that arises is whether under those circumstances it is desirable that the matter should again go before the Standing Finance Committee. I do not know if there is any understanding on that point.

*Mr. Burdon.*—Ordinarily it would go before the Standing Finance Committee; there would be no question about that. Things are only withheld from the Standing Finance Committee under a convention which has been arrived at with the Standing Finance Committee and in no other circumstances.

*Mr. Williams.*—I can only suppose that, at the time that the appointment was proposed to be extended there was no sitting of the Standing Finance Committee for some time.

At this stage Mr. Burdon promised to look into the papers and let Mr. Neogy know the result.

**Evidence taken at the eleventh meeting of the Public Accounts Committee held on Wednesday, the 21st August 1929 at 11 a.m.**

**PRESENT :**

(1) The Hon'ble Sir GEORGE SCHUSTER, *Chairman*.

(2) Mr. T. A. K. SHERVANI,

(3) Mr. B. DAS,

(4) Mr. S. C. MITRA,

(5) KUMAR GANGANAND SINHA,

(6) Maulvi ABDUL MATIN CHAUDHURY,

(7) Mr. K. C. NEOGY,

(8) Maulvi MOHAMMAD YAKUB,

(9) Mr. K. C. ROY,

(10) Lieutenant-Colonel H. A. J. GIDNEY,

(11) Sir FREDERIC GAUNTLETT, Auditor General,

(12) The Hon'ble Mr. E. BURDON, Financial Secretary,

(13) Mr. J. E. C. JUKES, Controller of Civil Accounts,

(14) Mr. O. A. TRAVERS, Accountant General, Central Revenues,

(15) Mr. A. C. BADENOCH, Director of Commercial Audit,

(16) Mr. T. K. RAJAGOPALAN, Officer on Special Duty,

(17) Mr. B. NEHRU, Deputy Auditor General,

Mr. C. W. GWYNNE, Joint Secretary, Home Department,

Mr. S. N. ROY, Deputy Secretary, Home Department,

Mr. BISHEN SARUP, Delhi Administration,

} *Members.*

} *Were also present.*

} *Witnesses.*

645. *Chairman*.—There are three items in Appendix II of the Appendices. They are items 19, 20 and 21. Could you explain them?

*Mr. S. N. Roy*.—All questions regarding Grant No. 78 will be answered by Mr. Gwynne who will come after me.

**GRANT 27.**—*Staff, Household and Allowances of the Governor General.*

646. *Chairman*.—In the Auditor General's letter, paragraph 33, I find this "As regards excess provision for leave salary I await with interest the final orders of the Finance Department mentioned in the closing sentence of paragraph 29 of the Report". Have you got anything to say on that Mr. Burdon?

*Mr. Burdon*.—This is simply a question of arriving at a lump cut based upon actual experience and later on with careful checking on the part of accounts officers we hope to arrive at an accurate estimate of the lump cut which has to be made.

*Chairman*.—What about the final orders of the Finance Department?

*Mr. Burdon*.—Those are the orders which have been issued. It is a matter which remains constantly under the consideration of the Finance Department. When we issue instructions to Accounts Officers, we propose to show them what the original provision was and what the lump cut made was. This system was only introduced for the first time in 1927-28. When we get that



supplemented by the actuals—we shall receive a report for every year—we will issue further instructions from time to time, as they are found necessary.

647. *Mr. Das.*—I want an explanation of G2 on page 128—Other Charges. What are the other charges in connection with tour expenses?

*Mr. S. N Roy.*—I am afraid I do not know.

*Sir Frederic Gauntlett.*—It is fairly clear that the expenditure under that head covers items other than the haulage of saloons and special trains and Government steamers, for example, payments to coolies and so on.

*Mr. Rajagopalan.*—Maintenance and repair of camp equipment is a big item.

648. *Maulvi Mohammad Yakub.*—There is another case of over-budgeting on postage and telegrams on page 127.

*Sir Frederic Gauntlett.*—I presume that the Private and Military Secretaries thought that a good many telegrams were being sent on matters which could easily be dealt with by means of letters.

*Chairman.*—It is rather an item on which we should congratulate those concerned.

*Maulvi Mohammad Yakub.*—If it deserves congratulation, let us congratulate.

*Mr. Rajagopalan.*—Rs. 21,000 was surrendered.

649. *Mr. Mitra.*—I find that item (D) on page 127 is unaudited.

*Sir Frederic Gauntlett.*—This is a special arrangement made by the Secretary of State. This is a particular sum placed at the disposal of His Excellency the Viceroy for expenditure on particular matters on the condition that I apply no audit whatever to that expenditure. There are statutory rules to the effect that I am not to audit the expenditure under those two particular heads.

*Chairman.*—It is really like the salary and sumptuary allowance.

*Sir Frederic Gauntlett.*—There is a definite contract.

650. *Mr. Roy.*—There is a supplementary amount of Rs. 1,000. If it is a fixed grant, how can there be a supplementary sum?

*Sir Frederic Gauntlett.*—That means that it must have been sanctioned by the Secretary of State himself.

651. *Kumar Ganganand Sinha.*—Is it not audited by the Home Auditor?

*Sir Frederic Gauntlett.*—No.

652. *Mr. Roy.*—Do I understand all these items were examined only a few years ago by an expert officer who was deputed to do it—Mr. Datta Gupta?

*Sir Frederic Gauntlett.*—I am not sure whether Mr. Datta Gupta undertook that particular work. But these allowances to the Viceroy, the Commander-in-Chief and the Governors, have been subjected to the examination

of Committees and have been scrutinised by special officers from time to time for the last 35 years that I have been here.

*Mr. Roy.*—The last was by Mr. Datta Gupta.

653. *Kumar Ganganand Sinha.*—What is the point about not having them audited?

*Sir Frederic Gauntlett.*—I presume it is because it is a type of expenditure to which it is very difficult to apply any audit.

*Chairman.*—It is analogous really to his salary or to his sumptuary allowance. It is really part of the grant on which the Viceroy carries on his office.

654. *Mr. Roy.*—Is any officer of the Governor General's household required to certify that this particular amount has been spent?

*Sir Frederic Gauntlett.*—As far as I know, we obtain no direct certificate. We receive bills without vouchers.

*Mr. Rajagopalan.*—The Bills are passed by the Pay and Accounts Officer and no details are furnished. I believe it is difficult to draw the line where expenditure from contract allowance ends and where expenditure from sumptuary allowance begins. The amounts are paid to the private account of His Excellency and I believe on more than one occasion the amounts actually spent were much than the sums received.

655. *Mr. Roy.*—Who passes the orders for payment of bills? The Military Secretary to the Viceroy.

*Mr. Rajagopalan.*—The Military Secretary is allowed an imprest. He draws cheques and then sends a monthly account to the Pay and Accounts Officer with vouchers, but without vouchers in this particular case.

*Mr. Roy.*—You replenish his treasury again?

*Mr. Rajagopalan.*—Yes; his imprest is replenished.

*Mr. Roy.*—The Military Secretary is directly responsible for the expenditure?

*Mr. Rajagopalan.*—He sends monthly accounts to the Pay and Accounts Officer who checks them; and then there is a super audit on behalf of the Accountant General. The whole account is audited except these items. The Military Secretary draws the cheque himself and sends up an account of all his drawings.

*Mr. Roy.*—And then you replenish it?

*Mr. Rajagopalan.*—There is no replenishing. He draws the money from the Treasury direct. He himself issues cheques. He presents the cheque and draws the money.

*Mr. Roy.*—No other person than the Military Secretary can draw?

*Mr. Rajagopalan.*—No.

*Chairman.*—Sir Frederic Gauntlett has called our attention to the fact that there have been periodical investigations into these allowances and they

are really fixed at what after investigation is considered a fair and reasonable amount. It is possible that there might be a little saving in one year which is spent the next year. For instance, take carriage horses. They might buy all their carriage horses in one year, as they did as a matter of fact last year when they replaced all the carriage horses. You might get heavy expenditure in one year and much less next year, I think it would be going rather far to ask for a certificate that the exact amount drawn has been spent each year. You have got to be satisfied with these periodical investigations where the amounts are examined.

*Mr. Roy.*—During one of these periodical investigations cigarettes were counted and I heard that there were great protests from the Viceregal Lodge about the counting of these cigarettes. (Laughter).

*Sir Frederic Gauntlett.*—I understand that the last enquiry was undertaken by 3 Members of the Executive Council.

*Mr. Jukes.*—I made the enquiry but the orders were passed by the 3 Members.

*Chairman.*—I think we may take it that this is not a subject for special comment. May we then pass on to Paragraph 34 of the Auditor General's letter.

#### GRANT 28—*Executive Council.*

656 *Chairman.*—"Page 130. The saving on the voted grant was mainly due to the supplementary grant of Rs. 23,000 under sub-head C. Tour Expenses, which was obtained in March 1928 and was not ultimately required. The new system of evaluation will, it is hoped, prevent miscalculations of this kind in future."

*Mr. Das.*—You obtained a supplementary grant in March, when all the Executive Councillors were busily engaged in the Council here.

*Mr. S. N. Roy.*—It was asked for on the report of the Pay and Accounts Officer who intimated to us in February that the grant was likely to be exceeded by about Rs. 21,000. He calculated on the past 8 months' actuals. Of course we have no basis on which to judge this and we took the Pay and Accounts Officer's report as correct and asked for a supplementary grant.

*Mr. Das.*—For 2½ months the Councillors will be busy at Delhi and there would be no tour.

*Chairman.*—That would have given you a bit of experience as to the reliability of the Pay and Accounts Officer's anticipation.

*Mr. S. N. Roy.*—On the other hand, if we do not take his report and we act on our own estimate and we find that it falls short, we will be in a difficulty.

*Mr. Rajagopalan.*—From 1928 the Pay and Accounts Officer has introduced a new method by which he gets copies of the tour programmes and evaluates them; he has thus got a much better system now than was in vogue previously.

*Mr. S. N. Roy.*—This is done every quarter now. That came into force only in 1928-29.

*Mr. Rajagopalan.*—That system will improve matters for the future.

*Chairman.*—And therefore, we have every reason to hope that this will not occur again.

GRANT 31—*Home Department.*

*Chairman.*—The next paragraph in the Auditor General's letter refers to Grant No. 31—page 134—Home Department—note A. 1—non-voted. I think the explanation has already been given.

657. *Mr. Neogy.*—Page 134. Might I refer to C-3? There is an excess here said to be "mainly due to unforeseen charges in connection with publicity work". What were these unforeseen charges?

*Mr. S. N. Roy.*—The Statutory Commission came out that year and the Viceroy's speech in the Assembly was broadcasted. That was one of the items. It was sent out to all the provinces. Copies of it were printed and so on. That accounted for something like over Rs. 2,000. The rest was due to various causes. Rs. 1,000 was on account of an advance which was given to meet the expenditure for the move from Delhi to Simla. There was another item of Rs. 1,135 on the same account. These were debited by the Pay and Accounts Officer to this year's budget. The Director of Information thought that they would be debited to the following year's budget, but they were debited to the Budget of 1927-28 and there was no provision for it. Now the matter has been put right. The matter was taken up by the Pay and Accounts Officer and in future I do not think that this is likely to recur. Any advance given will be debited to the accounts of the year in which it is given. There is also an item of Rs. 1,205 on account of the cost of Debates of the Assembly and the Council of State. Although under "other charges" there is a grant for books and publications, apparently some of it was reappropriated to meet the extra cost of publicity because at that time no bills had come in for these from the press. They should not have overlooked that, but I gather that up to that time, the matter was in some confusion. The press did not send in their bills in proper time. That has been rectified now.

658. *Mr. Roy.*—Are you satisfied that these things could not be foreseen?

*Mr. S. N. Roy.*—I am not very satisfied about the advance. That should have been noticed. But on the whole I do not think that the Department can be held responsible for the item of cost of debates of the Assembly, and also for Rs. 1,215 on account of the cost of passages for Mrs. Coatman and her son. They had to go away suddenly and no provision had been made for their passages. They had to go away and the cost had to be paid.

659. *Mr. Mitra.*—Does this publicity work mean work in India or outside?

*Mr. S. N. Roy.*—Mainly work in India. Sometimes it may be necessary to do some publicity work outside. The only publicity that is done outside is to send out fuller reports of the speeches of Members of the Assembly.

*Mr. Mitra.*—No other publicity?

*Mr. S. N. Roy.*—Not that I am aware of.

*Mr. Mitra.*—Can you tell us the amount spent outside?

*Mr. S. N. Roy.*—I am afraid I have not got that. I may mention that the other charges, as the Demands for Grants will show, include Rs. 25,000 for publicity work and there is an item of Rs. 20,100 under the head "Miscellaneous".

That includes the cost of books and periodicals. I have got no separate figures of the cost of publicity done in India and outside.

*Mr. Roy.*—You could give that figure?

*Mr. S. N. Roy.*—I could find out if you want it.

*Kumar Ganganand Sinha.*—We want it.

*Chairman.*—It is really a more proper subject for a question in the Assembly.

*Mr. Mitra.*—We want to know whether there is publicity for or against India in other places, because there is an excess. I would like to be satisfied if it had been spent for publicity purposes in Indian interests.

*Mr. S. N. Roy.*—I may mention that the Budget grant was Rs. 25,000 and our expenditure was something just a little over Rs. 28,000 and the extra expenditure is accounted for by the Statutory Commission.

660. *Mr. Neogy.*—Was not Miss Mayo in India during this particular year?

*Mr. S. N. Roy.*—I have no recollection. I was not here. (Laughter).

*Mr. Neogy.*—Are you quite sure that no part of this expenditure was incurred on her account?

*Mr. S. N. Roy.*—I think I could undertake to give a guarantee on that point.

661. *Mr. Das.*—I am not satisfied with the explanation given against C-1. Why did you ask originally for Rs. 24,000 when you wanted only Rs. 16,000?

*Chairman.*—Mr. Das's point is this. On the non-voted side you originally asked for Rs. 24,650. That really covered the expenditure which ought to have been included in the non-voted head. Therefore, that went out. The same mistake accounts for the excess on the voted head. But the excess on the voted head is only Rs. 16,800, and what they had asked on the non-voted side was Rs. 24,650. Therefore, it shows that on the non-voted side they had asked for about Rs. 8,000 too much. He wants to know why this was so.

*Mr. S. N. Roy.*—I will ascertain, Sir. All the explanation I have had was that it was due to an error in the A. G. C. R.'s office.

*Chairman.*—That accounts for the bulk of the difference. There may have been other economies on the voted head.

*Mr. Rajagopalan.*—I believe there will be lump cuts in future years. Possibly, this non-voted head included something for leave salary.

*Sir Frederick Gauntlett.*—What happened is quite clear. The original provision in the Budget for the salary of Mr. Coatman was not correct. The amount was shown as non-voted instead of being shown as voted, and the saving itself on the two heads added together is due to a saving not in respect of Mr Coatman's salary but in respect of one or two other officers who were working with him.

*Chairman.*—That is probable.

662. *Mr. Das.*—I have got some questions to ask about the Central Intelligence Bureau. "D. 1. Due to pay of officer on special duty not provided for in the original estimate."

*Mr. S. N. Roy.*—You are referring to the excess of Rs. 19,359? That was due to the fact that owing to certain unforeseen circumstances we had to appoint an Intelligence Officer in China. This appointment was made in February 1927, too late to be included in the Budget. It had to be done in very great hurry, and that accounts really for the whole of that excess.

663. *Mr. Das.*—Why did you not come in for a supplementary grant?

*Mr. S. N. Roy.*—I think we should have come in for a supplementary grant. It was not done because the attention of the Home Department was not drawn to it, and the thing was overlooked.

*Sir Frederic Gauntlett.*—It could not form the subject of a supplementary demand in the Assembly because it is non-voted.

*Mr. Das.*—But you should have gone to the Finance Department.

*Mr. Rajagopalan.*—The Finance Department must have sanctioned it. It has not been stated to be an uncovered excess. That means that it was covered by a reappropriation.

664. *Mr. Roy.*—On what ground would you justify the appointment of an Intelligence Officer in China? Why should the expenditure involved be borne by the Indian revenues?

*Mr. S. N. Roy.*—This is in India's interest. It is a large question of policy. It is rather difficult for me to deal with it in detail.

665. *Mr. Roy.*—The cost of the Indian contingent to China was borne by the British Government. How do you therefore justify the cost of this appointment being borne by Indian revenues?

*Mr. S. N. Roy.*—In this way—I am merely putting it in a general way—we may, in connection with political developments and political troubles in India, find it necessary to keep a watch on propagandists and people like them who come in *via* Shanghai. As a matter of fact, that is the justification in the present case.

*Mr. Roy.*—In the interests of the safety and tranquillity of India?

*Mr. S. N. Roy.*—Yes.

*Mr. Roy.*—It had nothing to do with the Indian troops sent to China?

*Mr. S. N. Roy.*—The Indian troops were sent to China just at that time. A lot of Punjabi regiments and Sikh regiments went and a certain amount of propaganda was being done amongst the Sikhs by the communists, and the Intelligence Officer was very useful in that connection also.

*Mr. Roy.*—He would have been sent anyhow?

*Mr. S. N. Roy.*—Yes. He is still there. I do not think he will be there permanently. We are examining the question again.

666. *Mr. Roy.*—The real principle, if you will examine it, cannot be justified. Supposing there are organisations in Germany, America and in all parts

of Europe against Indians at the present moment, would you be justified in sending Policemen from India to these countries. I do not, however, wish to pursue this subject.

*Mr. Neogy.*—In what other countries do you actually maintain such officers ?

*Mr. S. N. Roy.*—At the present moment, we do not maintain anywhere else.

667. *Colonel Gidney.*—Sir Frederic, do you consider that this item should not be borne by the Home Department but by the Political Department.

*Sir Frederic Gauntlett.*—The answer to Colonel Gidney's question is that that is governed by the fundamental rule of classification, viz., that the classification is to be determined by the department within which the work is being undertaken.

668. *Mr. Roy.*—Page 134 D. 5. Can you account for these savings ?

*Mr. S. N. Roy.*—That is quite simple. We try as far as we can to economise under Secret Service Contingencies. We were successful in the year 1927-28, but in some years we have even exceeded the grant.

669. *Mr. Roy.*—Do I understand that your Secret Service was less active this year ?

*Mr. S. N. Roy.*—That is not so. Political conditions did not necessitate the expenditure that would have been required otherwise.

670. *Kumar Gangananand Sinha.*—On what basis do you estimate the Secret Service expenditure ?

*Mr. S. N. Roy.*—We base it on past figures ; we take the average of the past three years.

671. *Mr. Das.*—I want to know who will certify this—will it be the Criminal Intelligence Department or one of the Secretaries ?

*Sir Frederic Gauntlett.*—I hope you have seen the orders of the Secretary of State on the subject.

*Mr. Das.*—But they will come into practice only from this year.

*Mr. Roy.*—The certificate is always given by the head of the Department. It may be either the Director General or the Secretary of the Home Department.

#### GRANT 32—*Public Service Commission.*

672. *Chairman.*—Para. 37 of the Auditor General's letter. Page 136. Item B. I do not know if there is very much more to be said about this.

*Mr. Rajagopalan.*—It is being calculated on actual pay now.

#### GRANT 72—*Miscellaneous.*

673. *Sir Frederic Gauntlett.*—Page 421. Item D 8 (5). At the bottom of the page you will see that the excess to the extent of Rs. 32,619 remained uncovered. That is the comment to which I have drawn attention.

*Mr. S. N. Roy.*—I am only concerned with the Indian Statutory Commission. The difficulty about it was that they came out in November and we did not know exactly what their programme was going to be. Considerable amount of touring was done and the Home Department did not possess information on which to make any accurate calculation.

*Mr. Shervani.*—But you had a supplementary grant in March.

*Mr. S. N. Roy.*—At that stage it was rather difficult to say. It was estimated in such a hurry that we could not arrive at an accurate figure.

*Sir Frederic Gauntlett.*—Mr. Roy, would you agree that probably one of the main reasons was that the Statutory Commission were unable to estimate with any accuracy the cost of their special trains.

*Mr. S. N. Roy.*—We have had that difficulty throughout with the Statutory Commission. We could not tell what the cost of the special trains was going to be. The estimate of the railway authorities came in too late.

#### GRANT 76.—*Delhi.*

*Sir Frederic Gauntlett.*—Paragraph 64 of the Auditor General's letter. I might simply state that I have given those details so that the persons responsible for framing the next budget shall see that that class of expenditure is provided for under the correct head. It is a guide for the improvement of the future budgets.

674. *Chairman.*—Sub-head (B) (3) page 497. “All the variations seem to indicate defective budgeting.”

*Sir Frederic Gauntlett.*—The comment is based on the last six words “there was sufficient opium in stock.”

*Chairman.*—Is it the concern of the Home Department?

*Mr. S. N. Roy.*—It is the concern of the Delhi Administration and a representative of that administration is with me to answer these questions.

*Mr. Bishen Sarup.*—We generally follow the prescribed standard of budgeting, *i.e.* when budgeting for the year we take the last six months' expenditure.

*Mr. Shervani.*—Would you not take stock into consideration also? Suppose no people take opium at all, would you provide for that still?

*Mr. Bishen Sarup.*—I cannot say anything about it.

*Mr. Shervani.*—Do you take into consideration the stock of the previous year or not?

*Mr. Bishen Sarup.*—Yes we do.

675. *Mr. Roy.*—Do you get any financial advice in the framing of your budget?

*Mr. S. N. Roy.*—There is now a special officer deputed for this work.

*Mr. Bishen Sarup.*—The budget is prepared by the Deputy Commissioner with the advice of the Pay and Accounts Officer.



*Mr. Roy.*—Delhi has taken more than anybody else under every head. What is the object of framing a budget like this?

*Mr. Rajagopalan.*—The Pay and Accounts Officer can only give advice. Speaking generally, the Pay and Accounts Officer can only suggest lump cuts but the administrative department may and often do simply ignore them—especially the departments served by the Pay and Accounts Officer, Secretariat.

*Mr. Roy.*—As a very experienced officer, do you agree that the budget of the Delhi Province required thorough overhauling?

*Mr. Rajagopalan.*—I would only say that if Pay and Accounts Officers could have an access to the superior authorities in the matter of enforcing lump cuts possibly that might improve matters.

When they framed the budget for 1927-28, did they consult the Pay and Accounts Officer?

*Mr. Rajagopalan.*—Yes, his advice was taken but it was confined to the fixed charges. The fluctuating items are estimated for by the departmental officers themselves. If lump cuts in the whole demand can be suggested by the Pay and Accounts Officer for the consideration of the Government of India, things would certainly improve.

676. *Chairman.*—Sir Frederic, would you say that the Delhi administration particularly stands out in this respect?

*Sir Frederic Gauntlett.*—The excess is about 3½ per cent. which is considerably under the average. At the same time, I think Mr. Roy's statement is quite justified with regard to the medical account. It is clear from the statement at the bottom of page 497 that as they found there was a saving under all these heads, they made large lump grants to hospitals. That is desirable in itself but it ought to have been provided for in the budget. It does give me the impression that there might have been an excess provision under each of those headings and probably the Pay and Accounts Officer suggested some cuts but they were not accepted by the administrative department. I think it does leave the impression that there is slightly too much provided under every head. They use that amount to make grants which are not provided for in the budget.

*Mr. Rajagopalan.*—The Auditor General has in his paragraph 62 appreciated the control of expenditure in Delhi.

677. *Mr. Roy.*—Is it possible that your Audit Officer and the executive officers of Government should have a preliminary consultation before sending in the budget?

*Sir Frederic Gauntlett.*—But control of expenditure is quite different from budgeting. The Pay and Accounts Officers are not under me; they are under Mr. Rajagopalan. That is why he is answering these questions.

*Mr. Rajagopalan.*—It all depends on whether this Committee is anxious to make any suggestions with regard to the instructions of the Finance

Department which were issued in 1921 under which the Accounts Officers are responsible only with regard to fixed charges. As regards the fluctuating charges, the Accounts Officers have no responsibility except to suggest cuts, through the budget notes when they send such notes.

*Chairman.*—This is a very important point. I would like to hear Mr. Burdon on the subject. We are dealing with the whole question of the position of the Pay and Accounts Officer. Has he a power to enforce his recommendations for lump cuts on the head of the department preparing the budget. Mr. Rajagopalan says that such instructions for the preparation of the budget were provided by the Finance Department in 1921, *viz.*, the Pay and Accounts Officer was responsible for preparing the figures for fixed charges but as regards fluctuating charges he may recommend a lump cut but has no authority to insist on that lump cut being accepted by the head of the department. Mr. Rajagopalan has suggested that it might be time to consider some amendment of the instructions which were issued in 1921.

*Mr. Burdon.*—I am not altogether familiar with what has happened. But when the budget comes up from the administrative authority, it is by no means the final stage. It has got to come up to be incorporated here in the general budget of the Government of India. If the Budget Officer of the Finance Department makes a lump cut, nothing further is said about it; that is the end of it.

*Sir Frederic Gauntlett.*—The question is—what is the best method of the preparation of a budget for a particular area such as Delhi in which there is a Pay and Accounts Officer working. Mr. Roy has suggested that possibly there might be better results if there were more informal discussions between the head of the area who is responsible for the preparation of the budget and the Pay and Accounts officer even in respect of those fluctuating charges in respect of which the Pay and Accounts Officer at present has no responsibility.

*Mr. Burdon.*—I would be very much surprised if the administrative officers do not have this informal consultation with the Pay and Accounts Officer. I do not see how they can feel any amount of certainty. In the old days the Local Governments used to pay great attention to the advice of the Accountant General.

*Sir Frederic Gauntlett.*—Mr. Rajagopalan has suggested that in his opinion it is possible to improve the method of the initial preparation of the budget within an area such as Delhi and if he has that impression I would suggest that it might be desirable that there might be a discussion within the Finance Department (he is an officer of the Finance Department) as to the lines that he might suggest for an improvement of the present position.

*Mr. Burdon.*—I cannot see any reason why the same arrangement as existed before the Reforms should not exist even at the present moment, *viz.*, the Pay and Accounts Officers and the heads of the administration should consult each other. Eventually a certain figure ought to be sent up by the head of the administration. If there is a difference of opinion, it shall be reviewed by the Finance Department when the budget comes up for scrutiny

*Mr. Rajagopalan.*—This is not the case at present but it could be arranged.

*Mr. Burdon.*—If this arrangement is come to, it will be exactly as it was before the Reforms. In that case the opinion of the Pay and Accounts Officer will not be stifled.

*Sir Frederic Gauntlett.*—I think this discussion would be more profitable within the Finance Department.

*Chairman.*—We have got sufficient material and we might make a reference to it in our report.

678. *Chairman.*—Page 502. *Sub-head D.* The explanation of the excess under this head seems to suggest that some of the liabilities which ought to have been known were lost sight of.

*Mr. S. N. Roy.*—It was difficult in that particular case to estimate the liabilities because the number of pupils sent to the Phillaur School depends on the number of vacancies. More people were sent for training. The debit is raised by the Accountant General, Punjab, and he raised it after the close of the year.

*Sir Frederic Gauntlett.*—My point is entirely correct. Those people had actually gone to the Phillaur Training School and the Local Administration must have known that they would have to be paid for. It is not for the Local Administration to wait until the debit is passed on. It is for them to provide the amount and to know that it must come.

*Mr. Bishen Sarup.*—The Accountant General, Punjab, was addressed on the subject by the Pay and Accounts Officer in his letter dated the 4th January 1928. He was also reminded several times for a reply but reply was not received till after the close of the year.

*Sir Frederic Gauntlett.*—I still submit that my criticism is not answered at all. The amount was not provided by re-appropriation and you did not even make an attempt to prepare an estimate of the amount that will have to be paid.

*Chairman.*—We can only agree with the Auditor General on that point.

679. *Chairman.*—Now we pass on to page 509. That is really analogous to the point which the Auditor General made at the beginning of this paragraph.

*Sir Frederic Gauntlett.*—It is somewhat different. For instance, I cannot understand why you should ask for a supplementary grant under head H-1, when the expenditure is going to be incurred under head G.G.

*Chairman.*—It is worse in the case of supplementary grants than in the case of original grants.

*Sir Frederic Gauntlett.*—You know the appropriate head under which the expenditure has to be incurred and yet you ask under another head.

*Mr. Bishen Sarup.*—There are some miscellaneous grants which have to be made in the course of the year and we do not know exactly under what particular head the expenditure will fall. We provided under the general

head 'Contributions,' in cases where we did not know the object of the grant. When we know the object of a particular grant, then we provide for it under the particular head. If we know that a grant is to be made for gardening operations, then we provide under 'agriculture.' But in the case of grants which are not foreseen and which we have to re-appropriate from other funds, we cannot budget under the appropriate head. This particular case refers to electric lighting in the western extensions. It was decided in the course of the year that Rs. 25,000 were necessary and we took Rs. 10,000 from the general head 'contribution' and Rs. 15,000 were promised by the Government of India as supplementary grant.

*Chairman.*—When you come to ask for a supplementary grant, you know what it is required for. The point of the remark is that apparently the supplementary grant was asked for under a head different to that under which the expenditure was ultimately incurred.

*Mr. Bishen Sarup.*—It is for every department to provide the amount under the accurate heading. We are doing that now.

*Chairman.*—I suppose in this particular case the supplementary grant was asked for under quite a general head and then applied to a specific head.

*Sir Frederic Gauntlett.*—If you look at the explanation for H-1 on the following page, that is, "supplementary grant of Rs. 15,000 on account of electric light in western extensions, Delhi," there is no question of its coming under the 'Miscellaneous Grant.' It must come under 'civil works.'

*Chairman.*—I do not think the explanation given by the witness is quite convincing in that case.

*Sir Frederic Gauntlett.*—It is a small matter, but the principle seems to be quite clear.

*Chairman.*—Again we must agree with your comments, Sir Frederic and just record that fact.

680. *Mr. Das.*—I wish to refer to page 503, under the head D-2, building and other non-recurring grants, the estimated grants were not awarded in full. May I know the reason why?

*Mr. Bishen Sarup.*—These grants were made to different institutions and they are required to contribute from their own funds about half the expenditure required. Due to the paucity of funds at the disposal of the management, they were unable to apply in full for the grants. They did not apply because they could not manage their share of the funds. A lump provision of Rs. 50,000 was made in the budget, but none of the schools which originally applied came forward with applications for grants. But other schools applied for building grants and they were awarded Rs. 5,000 each. Similarly Rs. 10,000 were given on account of equipment and furniture.

*Chairman.*—The point really is that schools that gave notice that they were going to apply for grants did not apply for grants because they could not put up their share, but certain other schools that did not give notice did come in and they were paid.

*Mr. Roy.*—From your statement it is evident that they did not come up for grant.

*Mr. Bishen Sarup.*—They gave notice to the Superintendent of Education who prepared the budget and who was responsible for the budget, but they did not ultimately come in at the time when the grants were about to be distributed.

*Mr. Roy.*—So you budgeted in anticipation.

*Mr. Bishen Sarup.*—Yes.

*Maulvi Abdul Matin Chaudhury.*—Last year also, there was a saving of Rs. 50,000 and the very same explanation was given last year too.

*Sir Frederic Gauntlett.*—That explanation will always be given, if it is a fact.

*Chairman.*—Possibly it is one of those cases where the lump sum budgeted is based on average experience.

*Sir Frederic Gauntlett.*—I think there is always that tendency.

*Chairman.*—I think that should be taken into account in future.

681. *Mr. Das.*—With reference to the amount shown under D-Agriculture, page 509, I should like to know how much of the expenditure is spent in the agriculture of the Delhi City and how much on Delhi province. How much was spent on horticulture and how much on agriculture proper?

*Mr. Roy.*—We want separation of urban and rural areas.

*Mr. Das.*—If all the money is spent on Delhi City, then the province will suffer.

*Mr. Bishen Sarup.*—This sum represents the grant which is paid to the Municipal Committee, Delhi on account of the gardens that have been taken over from the control of the Municipal Committee. These gardens as well as the *nazul* lands were under the control of the Municipal Committee. For the last two years we have taken over all the *nazul* properties from the control of the Municipal Committee and also the gardens and to compensate them for the loss of income, we give them a consolidated grant of Rs. 17,900 for gardens and Rs. 25,000 for development and so on. That arrangement was sanctioned by the Government of India for five years and after that, the provision will be reviewed. All these gardens refer to the State gardens.

*Mr. Neogy.*—So this head 'agriculture' has nothing to do with agriculture proper in the rural areas?

*Mr. Bishen Sarup.*—No, it has nothing to do.

*Mr. Roy.*—Are these gardens maintained by Government? If so, is it not an unusual thing to do?

*Mr. Bishen Sarup.*—That is an administrative question.

*Mr. Das.*—I should only suggest that such expenditure should be shown under 'gardens' instead of under 'agriculture' which is quite misleading.

*Chairman.*—It should be shown as 'horticulture' instead of 'agriculture'.

682. *Mr. Roy.*—At page 497, under Account V, sub-head A-2, it is said: 'the saving is mainly due to less expenditure on account of additional police, as the whole of the increased strength could not be recruited.'

May I know the reasons why they were not recruited ?

*Mr. S. N. Roy.*—The reason for that was the difficulty of training them. The Chief Commissioner found some difficulty in getting men to train these people, so that they were trained in batches and the same set of instructors were made to train subsequent batches after the first batch was sent away.

*Mr. Roy.*—So, the explanation given to the Auditor General is not quite correct.

*Mr. S. N. Roy.*—Men could not be recruited because they could not be trained. The effect of this is, they could not be recruited and the reasons for that is they could not be trained.

683. *Mr. Roy.*—Is the recruitment confined to the Delhi province generally ?

*Mr. Bishen Sarup.*—Mostly they are retired military pensioners.

*Mr. Roy.*—Not necessarily belonging to the Delhi province ?

*Mr. Bishen Sarup.*—No, not necessarily.

*Mr. Roy.*—Has there been an increase in crime ?

*Mr. S. N. Roy.*—I have seen some complaints.

*Mr. Bishen Sarup.*—We are dealing with 1927-28 and at that time, here were not many complaints.

*Mr. S. N. Roy.*—Crime is I believe now on the increase.

*Maulvi Mohammad Yakub.*—Do you recruit retired military men ?

*Mr. S. N. Roy.*—For training the police.

#### *Grants 78—Andamans and Nicobar Islands.*

684. *Chairman.*—Now, we come to paragraph 66 of the Auditor General's letter. Page 529, sub-head 5. "The Public Accounts Committee may like to enquire why these large recoveries could not be foreseen."

*Mr. Gwynne.*—The Chief Commissioner says, the total receipts, cash and book adjustments, were Rs. 3,36,167 as against a provision of Rs. 5,52,000 in the sanctioned budget. The receipts obtained depend largely upon the number of passengers travelling and the amount of cargo shipped from Port Blair and Indian ports. Very often the ships have to run with little cargo on return voyages.

*Chairman.*—Are your comments then quite correct, Sir Frederic ?

*Sir Frederic Gauntlett.*—The comment really applies to 1—5.

*Chairman.*—There was a large deficit in the estimated revenue of the forest department. Are you getting more accurate estimates since then ?

*Mr. Gwynne.*—About forests, it is really very difficult to have accurate estimates.

*Chairman.*—The forest department is working on a regular programme ?

*Mr. Gwynne.*—Yes.

*Chairman.*—Then, it ought to be possible to estimate accurately what they are going to pay ?

*Mr. Gwynne.*—It depends on the amount of timber they are able to export for sale.

*Mr. Roy.*—Is the ' forest ' under the control of the Inspector General of Forests ?

*Mr. Gwynne.*—Under the control of the Department of Education, Health and Lands.

*Mr. Roy.*—Do they settle their work and plan their estimates without any financial advice ?

*Mr. Gwynne.*—That, I do not know. But I imagine they get some financial advice.

*Mr. Roy.*—Then, has the forest department no financial adviser ?

*Mr. Gwynne.*—I do not know about that. The point has been enquired into in the Andamans. In the Andamans, there are many commercial undertakings and Mr. George an officer of the accounts department has recently submitted a report to the Auditor General. It has not yet been submitted to the Home Department.

685. *Chairman.*—I would suggest that we should have some sort of annexe to this ordinary report dealing specially with commercial undertakings and then it would be very useful. We would like to have something of the working of the Andamans Islands, Forest branch. We were asked for a good deal of money. Lately that has been before the Standing Finance Committee. There has been a great deal of expenditure in the Andamans and one of the first things that we would like to have is a general statement as regards these commercial undertakings.

*Mr. Badenoch.*—In the Andamans, many more activities will probably have to be commercialised. There was not only the forest and the dockyards, but there was the bakery and the butchery in connection with the settlement. There are also two ships at present. In all these cases *pro forma* accounts were being sent in before to the Accountant General, Central Revenues. It has not been possible to audit them. Actually there are accounts included in this report which were found to be very inaccurate. About six months ago, an officer of my branch was sent there. He spent about three months there and submitted his report to the Auditor General. I have gone through the report and it will shortly go to the Government of India. Our general suggestions are that these accounts should be commercialised along the lines suggested by the reporting officer and not only that, but that my staff should visit the Andamans every year and should go into these accounts and audit them before they are placed before the Public Accounts Committee. It is extremely important that this should be done. There are valuable forests and the Government of India make big sales not only in Calcutta but also in Europe.

*Sir Frederic Gauntlett.*—I might add that Mr. George, the officer who has gone over there is one of our best officers. He spent considerable time with the forest officers there and explained to them how to keep commercial accounts.

*Mr. Badenoch.*—They have not got enough staff at present. With a little extra staff, with a qualified assistant, they ought to be able to do things satisfactorily.

686. *Mr. Roy.*—Has the Andamans been abandoned as a penal settlement?

*Mr. Gwynne.*—Yes, it has been abandoned. But there are still a considerable number of convicts there. Some members of the criminal tribes have been settled in the Andamans.

687. *Mr. Neogy.*—Are there any complications arising out of the fact that the islands are used as a penal settlement, which make the introduction of commercial accounts system difficult?

*Mr. Gwynne.*—I do not think so.

*Mr. Neogy.*—All the undertakings of the Andamans should now be treated as on commercial footing?

*Mr. Gwynne.*—I think the Andamans would welcome it.

*Chairman.*—As regards the forests, they really have nothing to do with the convict settlements?

*Mr. Gwynne.*—They are under the Chief Commissioner, and a good deal of labour is convict or quasi-convict labour.

*Mr. Neogy.*—That is why, I ask whether there are any complications arising out of that fact?

*Sir Frederic Gauntlett.*—As a matter of fact, that comes out quite clearly in the report. The problem of convict labour in the two islands makes radical differences in the results. In the one, it is convict labour and in the other it is not.

688. *Colonel Gidney.*—Are the Andamans islands still retained as a penal settlement because there is no jail accommodation in India?

*Mr. Gwynne.*—The Andamans were abandoned as a penal settlement. The decision of the Secretary of State arrived at in 1921 still holds good. I do not think the question of accommodation in the jails in India had anything to do with it at all. The decision was taken purely on administrative grounds.

*Colonel Gidney.*—Some persons are still retained there because there is no sufficient jail accommodation in India?

*Mr. Gwynne.*—Partly for that reason and partly in order to retain them in the Andamans as ultimately free settlers. Those who voluntarily wish to stay there—and there are a good many such belonging to Burma and Madras—are allowed to remain there as free settlers and their families are sent over from India.

689. *Colonel Gidney.*—What is your opinion, whether it is beneficial or not as a policy to allow these people to settle there?

*Mr. Gwynne.*—My opinion is it is the only possible policy when the Andamans was abandoned as a penal settlement.

*Colonel Gidney.*—Even with the stock that you have at present there?



*Mr. Gwynne.*—Yes.

*Mr. Das.*—If the settlement had been abandoned as a penal settlement, why should the loss incurred on the bakery and butchery be borne by the taxpayer ?

*Mr. Gwynne.*—You must realise that the free population has increased very much since the days we abandoned the penal settlement. It is now 4,000 or 5,000 whereas formerly it was not more than a few hundreds.

690. *Mr. Das.*—Do the Government run this bakery and butchery and supply foodstuffs to the settlers ?

*Mr. Gwynne.*—The bakery and the butchery provide not only the troops stationed in the settlement but also all the officials and settlers who wish to purchase. This is the only means of supply.

691. *Mr. Das.*—Do not the officials get any extra allowance for going to the Andamans ?

*Mr. Gwynne.*—Yes, they do get some extra allowance, but not free rations.

692. *Colonel Gidney.*—In the policy that you are now adopting in the Andamans, which are the type of people you are encouraging to settle there. I need hardly add that most of them are convicts and their propagating powers are very little. Is that really the policy that the Government are pursuing, because you have no women there and those that are there are of bad stock ?

*Mr. Roy.*—Are you talking of your scheme ?

*Colonel Gidney.*—No. I am talking of the convict settlement.

*Mr. Gwynne.*—It does not follow that it is bad stock in the Andamans. Many of the criminals there are not criminals in the ordinary sense of the term 'crime'. They committed crimes through anger or passion.

*Mr. Das.*—The former Home Member, Sir Alexander Muddiman was of opinion that it was the best part on earth to live.

*Chairman.*—I think we are touching rather on a big subject. We will now go on with the other things.

693. *Maulvi Mohammad Yakub.*—On page 529, there is a big excess of Rs. 96,480 under the head subsistence allowance—G and the explanation given is that this is due mainly to the grant of more self supporter tickets. I should like to know what all this means ?

*Mr. Gwynne.*—When a convict is allowed to become a self-supporter, he is not under the discipline of the penal settlement. He lives practically as a free man on ticket of leave and instead of getting rations and fuel, he is given a monthly allowance.

*Maulvi Mohammad Yakub.*—Throughout his whole life ?

*Mr. Gwynne.*—As long as he is there as a self-supporter.

*Maulvi Mohammad Yakub.*—Even if he is a free man, he gets his monthly allowance ?

*Mr. Gwynne.*—As a self-supporter. It is in lieu of rations and fuel.

*Maulvi Mohammad Yakub.*—What is this undue excess due to ?

*Mr. Gwynne.*—Probably because a greater number of convicts became self-supporters.

*Maulvi Mohammad Yakub.*—The administration must have foreseen before the budget was prepared that so many people would become self-supporters ?

*Mr. Gwynne.*—They could perhaps have known. But discrepancies always do occur. You will find under the head rations very great savings.

*Chairman.*—And other supplies too.

*Mr. Gwynne.*—The policy is to make the convicts self-supporters as early as possible.

*Maulvi Mohammad Yakub.*—You discontinue giving these free rations when they become self-supporters ?

*Mr. Gwynne.*—Yes, then they get a monthly subsistence allowance. Some run their own little farms. Some of them work in workshops, etc., and government offices, and some as servants.

*Maulvi Mohammad Yakub.*—Still they get this free ticket allowance.

*Chairman.*—It is a very big difference and I think we ought to watch that item.

*Mr. Gwynne.*—One should know the number of men who may become self-supporters because it is more or less automatic and might be calculated. But many of these discrepancies will disappear if we have a local Pay and Accounts Officer as we hope to have soon.

694. *Chairman.*—Has the trading account referred to in the Auditor General's letter, paragraph 66 (c) been sent in for the information of the Public Accounts Committee ?

*Sir Frederic Gauntlett.*—That has been sent in.

695. *Chairman.*—In paragraph (d) the Auditor General says : ' In view of the persistent overbudgeting, the Public Accounts Committee may desire to urge that a drastic lump cut should be made from the provision under Account I—convict settlement charges'.

*Sir Frederic Gauntlett.*—It shows the persistence of it.

*Chairman.*—The point which Maulvi Mohammad Yakub raised really relates to this item also. I take it that the Public Accounts Committee would agree with the Auditor General's general recommendations in this paragraph. In sub-paragraph (ii), the attention of the Committee is invited to the remarks of the Accountant General in the closing sentence of this paragraph.

*Sir Frederic Gauntlett.*—' The Committee on Public Accounts have already recommended the institution of a local Pay and Accounts Office, and pending the decision of the Government on this recommendation, it was not considered desirable to introduce other changes in the existing system '. What I have said after that is really out of date now.

*Mr. Gwynne.*—An officer has already been sent to the Andamans to make enquiries about the system of accounts and the possibility of establishing a local Pay and Accounts Office there.

*Chairman.*—Anyway that is going to be carried out ?

*Mr. Gwynne.*—I hope so.

696. *Chairman*.—Is there anything more in pages 546-547 ?

*Mr. Gwynne*.—The Chief Commissioner says that the two ships "Maharaja" and "Ahmedi" perform administrative duties in the Nicobar Islands which do not bring in any adequate income. The carrying capacity of the steamers is not always fully utilised specially on return journeys, when there is often want of import cargo, there are delays in loading and unloading, poor labour, inadequate stevedoring facilities and reduction of freight rates. The ships are partly maintained for administrative purposes. They have to visit the various light-houses and take inspecting officers to the Nicobars and the other Islands.

697. *Kumar Ganganand Sinha*.—If you refer to page 547 you will find that the reference is to "unaudited *pro forma* accounts." Is it a fact that the accounts are never audited ?

*Sir Frederic Gauntlett*.—What has been happening is that up to the present we have been attempting to prepare *pro forma* accounts of the workings of these vessels from Delhi and we found it to be quite impossible. A *pro forma* account has been prepared and we have attempted to reconcile it with the actual Government accounts, and it has been found to be quite impracticable. It is for that reason mainly that Mr. George has now finally recommended that the accounts should be put on a commercial basis and that they should be audited on the spot by Mr. Badenoch's officers going there once a year. He made certain attempts to prepare *pro forma* accounts which might be capable of reconciliation at headquarters and eventually both he and Mr. Badenoch agreed that that was not the proper solution ; that the proper solution was to recognise that there is much work of a commercial character in the Andamans, and that it will pay Government in the long run to send an officer over there once a year from the Commercial Audit Department to audit the accounts on the spot.

698. *Chairman*.—Is there anything with regard to the case in paragraph 4 on page 547 ?

*Sir Frederic Gauntlett*.—This is a specific irregularity of a serious character in which there has been some laxity on the part of the audit office.

*Maulvi Mohammad Yakub*.—Don't you think that this long consideration of the steps to be taken against the people at fault takes away the effect of the punishment ? Why is the matter under consideration for such a long time ?

*Sir Frederic Gauntlett*.—It was under consideration at that time and now both the gazetted officer and the Superintendent of the audit office have been severely censured. As a matter of fact these two cases were under discussion for a long time. I know that the audit office took up the question of the disciplinary action against these men as soon as the consideration of the actual case itself had been completed.

*Chairman*.—At any rate action has been taken. The Auditor General has some comments in paragraph 81 (d) which refers to paragraphs 15 and 16 of the Auditor of Home Accounts' report. I think paragraph 16 concerns the Home Department ?

*Sir Frederic Gauntlett.*—This was dealt with by the Committee at some length last year or the year before. I do not know whether they wish to reopen the question ?

(No question was asked by any member of the Committee.)

699. *Maulvi Abdul Matin Chaudhury.*—With regard to the Appropriation Accounts I have to ask some questions. In paragraph 37 on page 20, we find that under “Andamans and Nicobar Islands” there was a supplementary grant of Rs. 25,700 although the expenditure was within the original grant. Why was this supplementary grant asked for ?

*Mr. Gwynne.*—I can only say that it was a miscalculation.

*Sir Frederic Gauntlett.*—I confess that if I were to administer the grant and I found that my actual expenditure was Rs. 1,81,000 against an original grant of Rs. 1,82,000, I should get very nervous myself as to whether I should not want some more money ?

700. *Maulvi Abdul Matin Chaudhury.*—If you refer to page 523 you will find that there is a saving of 11 per cent. in the voted grant. Is there any general explanation for that ?

*Sir Frederic Gauntlett.*—There was persistent over-estimating here and there ought to be a lump cut.

701. *Maulvi Abdul Matin Chaudhury.*—At page 529 under item “H.-1—Cost of Coal” there is a saving of Rs. 42,000 and the explanation given is that it is due to reduction in the price of coal. But in the account that has been submitted at page 533 we find that in the year 1926-27 the expenditure on coal was Rs. 64,343 and in the year 1927-28 (page 534) the expenditure was Rs. 55,669. The difference accounts for Rs. 10,000 and here is a saving of Rs. 42,000.

*Mr. Gwynne.*—That is explained on the ground of less consumption and the higher cost of coal at the time of budgeting.

*Chairman.*—The point is well made. In 1926-27 you spent 64 thousand ; next year you put in a budget estimate of Rs. 1,00,000 and only spent 55 thousand and then you say that the difference was due to the reduction in the price of coal. I think rather that the difference was due to over-estimating of the quantity of coal.

*Mr. Gwynne.*—I suppose the estimate was based on the average of three years’ consumption and the prices prevailing at the time.

*Chairman.*—It looks to me as if it is another of those cases of very generous budgeting ?

702. *Mr. Das.*—I want to refer to the two balance sheets of the Dairy Farm and the Slaughter House at pages 538-541. Last year we examined Mr. Hodge. He gave us an account which showed that the Dairy Farm had lost in 1923-24, Rs. 9,600, in 1924-25, Rs. 10,200 and here we find that in 1926-27 the loss has been Rs. 14,880 and in the current year Rs. 11,975. The same also with regard to the slaughter-house. Mr. Hodge gave us the losses as Rs. 9,400 or 1923-24, Rs. 14,500 for 1924-25 and from the two accounts here we find that

the losses have been Rs. 13,000 in 1926-27 and Rs. 3,900 in 1927-28. Mr. Hodge also read out a statement in paragraph 4 of which he said "Owing to the presence of troops and the artificial nature of the settlement it is necessary to maintain both these institutions", etc. My point is that although the losses on the slaughter-house have decreased, the losses on the Dairy Farm have been almost stationary, and part of the loss is due to the stationing of the military forces. I think this part of the accounts should be allocated to the military side of the expenditure.

*Chairman.*—I think this is a point which might be taken into account when we are considering the preparation of accounts on a commercial basis.

703. *Kumar Ganganand Sinha.*—A considerable amount is spent on the importation of cattle from India?

*Mr. Gwynne.*—For slaughter purposes, but mainly for introducing cattle-breeding.

*Kumar Ganganand Sinha.*—Why is it charged on the slaughter-house item?

*Mr. Gwynne.*—Because it is done through the Commissariat Department.

704. *Chairman.*—Now we will turn to Appendix II, items 19, 20 and 21. Items 19 and 20 we have been discussing and I take it that with regard to item 21 nothing can be done?

*Mr. Gwynne.*—It might be possible to keep a separate account for 12 villages in which the Moplah prisoners are mostly concentrated.

*Chairman.*—Do these 12 villages cover the whole Moplah settlement?

*Mr. Gwynne.*—It is the most important part of the Moplah settlement, but not the whole as some are at work in convict gangs. It would be most difficult, however, to estimate accurately the exact amount spent on the Moplahs. We can at most give the approximate amount spent on the Moplah villages.

*Mr. Shervani.*—Are the Moplahs doing well there?

*Mr. Gwynne.*—Yes.

*Mr. Shervani.*—In what respects?

*Mr. Gwynne.*—I understand that the settlement is progressing very well and they are happy and useful economically and otherwise.

*Mr. Shervani.*—Have you ascertained whether they want to live there or do they want to come back?

*Mr. Gwynne.*—Colonel Ferrar, the Chief Commissioner, was here in May : he said they are happy there.

**Evidence taken at the twelfth meeting of the Public Accounts Committee, held on Wednesday, the 21st August 1929, at 2-30 p.m.**

**PRESENT :**

- |  |                             |
|--|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER.                 | <i>Chairman.</i>            |
| (2) Mr. T. A. K. SHERVANI,                           | } <i>Members.</i>           |
| (3) Mr. B. DAS,                                      |                             |
| (4) Mr. S. C. MITRA,                                 |                             |
| (5) KUMAR GANGANAND SINHA,                           |                             |
| (6) MAULVI ABDUL MATIN CHAUDHURY,                    |                             |
| (7) Mr. K. C. NEOGY,                                 |                             |
| (8) MAULVI MOHAMMAD YAKUB,                           |                             |
| (9) Mr. K. C. ROY,                                   | } <i>Were also present.</i> |
| (10) Lieut.-Colonel H. A. J. GIDNEY,                 |                             |
| (11) Sir FREDERIC GAUNTLETT, Auditor General,        |                             |
| (12) The Hon'ble Mr. E. BURDON, Financial Secretary. |                             |
| (13) Mr. G. KAULA, Director of Railway Audit,        | } <i>Witnesses.</i>         |
| (14) Mr. B. NEHRU, Deputy Auditor General,           |                             |
| Mr. P. R. RAU, Financial Commissioner, Railways,     |                             |
| Mr. W. H. SCOTT, Controller of Railway Accounts,     |                             |
| Mr. J. A. TOWER, Director of Finance, Railways,      |                             |

*Chairman.*—We want to start to-day with dealing with matters outstanding from previous reports and the action taken thereon, but at the end of our session to-day we want to put to you a number of questions that are going to be raised during the course of dealing with the Railway position on which we want you to collect information and with which we want you to be ready to deal at subsequent meetings. For dealing with some of these questions and possibly in connection with questions which will arise out of our going through the ordinary list of items we shall want to have the Chief Commissioner before us because they raise big questions of policy. So we would like you to let him know that we may call upon him to come before the Committee. We will try and concentrate everything we have to put to him into one session, probably the last session.

*Mr. Rau.*—I have already told Sir Austen Hadow about it.

705. *Chairman.*—Now, paragraphs 147 and 148 of the Appropriation Accounts and paragraphs 4 to 6 of the Auditor General's letter deal with matters outstanding from previous reports and the action taken thereon. The first question I want to deal with is one to which the Auditor General has called our special attention, namely, the failure to obtain the report of the special officer appointed to deal with the budget arrangements—and then to turn from that to the very serious cases of irregularity on the Bengal Nagpur Railway dealt with in the various paragraphs in the annexure. I should like

to know what is the exact position as regards the special officer who has been appointed to deal with budget arrangements ?

*Mr. Rau.*—I have just had a copy of the report presented to me. I got it about a week or 10 days ago.

(The report was handed to the Chairman.)

*Chairman.*—A report on the system of preparing revised budget estimates on the State Railways by Mr. Puri. I understand he has been at work on this report since 1926 ?

*Mr. Rau.*—Not really at work on the report. He was placed on special duty about July 1926, but after two or three months he was sent off with Sir Arthur Dickinson when he came out to examine our accounts system here. Thereafter I believe he was sent on foreign service to Baroda for some time and then to Porbander and then finally he had to go on leave for six or seven months in the winter of 1927. Immediately he came back he was put on as Deputy Chief Accounts Officer on the East Indian Railway. The work in that office was very greatly in arrears and he had to work pretty hard there and I understand it was only after he was relieved of that duty and put into the office of the Controller of Accounts that he was really able to devote much time. He had been able to collect a good deal of the material but he was not able to get on with his report.

*Chairman.*—That explains the delay but it does not justify it.

*Mr. Rau.*—No, it does not justify it.

706. *Maulvi Abdul Matin Chaudhury.*—But how is it that year after year we have been told that the report was under preparation and it was hoped to get it ready very shortly. Why was not another officer put on ?

*Mr. Rau.*—He had been put on special duty, he had gone round the railways and collected much information and it would have been a waste of material to put on another man.

*Maulvi Mohammad Yakub.*—Why was he sent to Baroda when he had been put on special duty ?

*Mr. Rau.*—He was considered peculiarly fitted for the job.

*Mr. Roy.*—What is the name of the officer ?

*Mr. Rau.*—Rai Bahadur B. D. Puri. He is at present a Deputy Chief Accounts Officer in the office of the Controller of Accounts.

*Maulvi Mohammad Yakub.*—It is a very novel way of dealing with the matter, to put a man on special duty and then to lend his services to one of the States.

*Mr. Shervani.*—When we considered the fact that some of these deputations came on after the remarks and the discussion which took place in the Public Accounts Committee last year...

*Mr. Rau.*—What happened was that apparently the Railway Department thought that he could do this work in the midst of his other duties.

707. *Sir Frederic Gauntlett.*—Would you admit that the improvement of the budget system is an urgent necessity on the railways ?

*Mr. Rau.*—Certainly.

*Kumar Ganganand Sinha.*—When are you going to take action on the Report?

*Mr. Rau.*—I will place it before the Standing Finance Committee for Railways at the earliest possible meeting.

708. *Chairman.*—You have not had a chance of reading this Report, had you?

*Mr. Rau.*—I have not gone through it carefully. I have just glanced through it.

*Mr. Roy.*—Was this officer working under the orders of the Financial Commissioner of Railways?

*Mr. Rau.*—Yes, throughout.

*Mr. Roy.*—And yet you could not check these variations.

*Maulvi Abdul Matin Chaudhury.*—Arising out of the Auditor General's question, if you considered this a very important matter, why did you depute this officer to other business?

*Mr. Rau.*—We thought he would be able to do it in addition to his other work.

*Mr. Neogy.*—Did he give an assurance to that effect or were you trying to take too much out of him?

*Mr. Rau.*—I have no personal knowledge of that.

709. *Chairman.*—I suggest that we leave the past : we can agree in condemning what has happened and I think it is very regrettable that a thing that was asked for by the Public Accounts Committee in 1926 and has been pressed for ever since should be so long delayed. I do not think there will be any difference of opinion about it. However we have now got this report and I should like to know what action is to be taken on it. You say it is to go before the Standing Finance Committee.

*Mr. Rau.*—As soon as I have gone through it I will make a summary of the conclusions and place it before the Committee with our proposals.

*Mr. Roy.*—What precisely has the Standing Finance Committee got to do with it?

*Mr. Rau.*—Under the separation convention, they are supposed to deal with the form of demands for grants as well as the actual demands themselves.

*Mr. Das.*—But that does not take away the right of this Committee to go into the matter?

*Mr. Rau.*—Not at all.

710. *Chairman.*—Is there any chance of these recommendations being adopted in time for the coming budget?

*Mr. Rau.*—I think so ; as a matter of fact, from the glance I have had at this report, I think a good many of the recommendations have already



been adopted. The fact that it took two years to finish has naturally detracted from its value.

711 *Mr. Shervani*.—What about proposals about appropriation accounts ?

*Mr. Rau*.—I do not think this report deals with them.

*Maulvi Mohammad Yakub*.—I suppose you will appoint some other special officer to deal with that question ?

*Mr. Rau*.—No ; as a matter of fact the appropriation accounts will be prepared by the Controller of Railway Accounts next year in the same manner as they have been prepared by the Director, Railway Audit, till now ; and the Report thereon will be prepared by the Director. I think instructions have already issued to that effect.

712. *Chairman*.—But as far as you have been able to see, there is nothing startlingly novel in these recommendations ?

*Mr. Rau*.—I am afraid not.

*Maulvi Abdul Matin Chaudhury*.—Do I understand you to mean that most of these recommendations have been given effect to ?

*Mr. Rau*.—A good many of them : as a matter of fact my personal opinion is that improvements in budget procedure can mainly come through experience and not through investigations of this sort.

713. *Mr. Roy*.—As regards the changes which you have given effect to, did you take the consent of the Finance Member ?

*Mr. Rau*.—All important changes have always been placed before the Standing Finance Committee.

*Mr. Roy*.—Without consulting the Finance Member ?

*Mr. Rau*.—If it is a matter of sufficient importance I take it he would have been consulted.

714. *Chairman*.—Mr. Kaula, have you seen in actual results any steady improvement ?

*Mr. Kaula*.—I take it, Sir, that the Auditor General would not have made these comments in his letter if there had been improvement.

*Chairman*.—It is rather a depressing situation if what you tell is true, that all that Mr. Puri after three years has been able to recommend has already been introduced and that the introduction of these changes has not borne any fruit as regards improvement of results.

*Mr. Rau*.—I have not gone through the Report carefully enough to say that all the recommendations have been introduced : many of them have.

*Sir Frederic Gauntlett*.—It has to be remembered that we are now discussing the figures of 1927-28, the budget for which was prepared in August 1926.

*Chairman*.—I agree : I would ask whether in practice you have seen any signs of improvement in later years even ?

*Mr. Kaula*.—Nothing particularly noticeable.

*Kumar Ganganand Sinha.*—If you refer to the debates in the Assembly for the last two years you must admit that there has been no improvement whatever ?

*Mr. Rau.*—In what way ?

*Mr. Roy.*—You have only to read paragraphs 4 and 5 of the Auditor General's letter.

*Mr. Rau.*—May I point out this : I do not particularly claim that our budgeting is good or bad in this particular year—as a matter of fact I was not responsible for it and hence I can speak more freely perhaps.

*Mr. Roy.*—We are discussing a principle : in the past the budgeting has been bad : that is admitted ; what improvements do you propose to make ? The Auditor General is not satisfied with the way in which the budget has been prepared.

*Mr. Rau.*—I am afraid I do not quite admit that the budgeting is bad.

*Mr. Roy.*—The final word in that matter rests with the Public Accounts Committee ?

*Mr. Rau.*—I realise that ; but if I may put the Railway Department's point of view in this matter, if you take our total working expenses in the year 1927-28, the original budget figure was Rs. 63,24 lakhs for commercial lines and the actuals came to Rs. 63,30 lakhs, a difference of Rs. 6 lakhs or just .1 per cent. and you must give some credit to the Railway Department for that : I think you must take the totals and not merely look at individual items, where I quite admit there have been large variations.

*Mr. Shervani.*—Do you think that the total figure represents a good or bad budget ? You can make a lot of reappropriations from one item to another : I mean that in certain items you have over-budgeted and in others you have under-budgeted. You would not call a budget like that a good one, if the totals did not vary much ?

*Mr. Rau.*—I think I should certainly call it a good budget if our totals agree very accurately. Of course in the administration of a big body like the railways there are so many things that cannot always be foreseen.

*Mr. Roy.*—We realise that.

*Chairman.*—Perhaps I might put it like this : that if the total result was accurate and the details were inaccurate, I should not be inclined on that alone to say "this is a good budget" ; it is not very convincing evidence : but if for a series of years, say for five years, you find that the totals were as accurate as they were in the year you referred to then I think you could say "Well, on the whole, this is pretty good, even though the details are not always accurate." The fact that year after year the totals are accurate would, I think, be enough ground.

*Mr. Shervani.*—Suppose for example you over-budget and you construct a line without going to the Assembly for the amount and thus make up the total, that will certainly not be good budgeting ?

*Chairman.*—I am not suggesting that in order to make your estimates correct, you could start new projects : we are dealing with working expenses.

*Mr. Roy.*—Would you say that your budget on the whole is fairly satisfactory ?

*Mr. Rau.*—I would not say it is entirely satisfactory ; there is always room for improvement.

*Sir Frederic Gauntlett.*—I think that when this Committee first raised the question of the special budget officer it was very much impressed by the fact that the details prepared on individual lines were very inaccurate and we thought the primary function of the budget officer was to improve the budgeting on individual lines. It is perfectly true that as Mr. Rau says, the results in lump all over India may not be so very bad, but that does not alter the initial fact that the individual budgets on some railways at least are still very inaccurately prepared.

*Mr. Rau.*—I quite agree with the Auditor General and as a matter of fact I believe the chief value of this report would be in its application to individual railways.

*Sir Frederic Gauntlett.*—It is always possible at headquarters on big budgets like these to bring ameliorations which will improve the budget as a whole, but I submit you cannot get anything finally good unless it is built on an accurate basis.

*Mr. Roy.*—Would you lay the responsibility for these differences in estimates and actuals on the Agents who prepare the estimates ?

*Mr. Rau.*—The Agents' estimates are altered by the Railway Board.

*Mr. Roy.*—Materially ?

*Mr. Rau.*—Sometimes materially. As the Auditor General has mentioned in one of the comments, we must take into account the Agent's tendencies to under-estimate or over-estimate.

*Mr. Roy.*—Is it done after consultation with the Agents or is it done by the Railway Board on its own initiative ?

*Mr. Rau.*—There is no time to consult : the Agent bases his estimates on figures for six months and we get some later figures for all railways and we alter them according to the latest information at our disposal.

715. *Mr. Roy.*—Where does the responsibility of the Finance Member come in ?

*Mr. Rau.*—The responsibility of the Finance Member is not directly exercised in the Railway Budget. On any important matter the Financial Commissioner would naturally take instructions from him, but in the detailed preparation of the budget he takes no direct part.

*Mr. Roy.*—Is the Financial Commissioner the watch-dog of the Finance Member or does he exercise himself a great deal of delegated authority and thus deprive the Finance Department and the Finance Member of their legitimate rights of control ?

*Mr. Rau.*—The Financial Commissioner represents the Finance Member and acts in these matters under his control. I take it that that was the intention of the Government of India in adopting this procedure.

*Mr. Roy.*—By separation he did not abrogate his function ?

*Mr. Rau.*—No ; all important papers and whatever other papers he wants to see are shown to him.

*Mr. Roy.*—As one who has been in the Government of India for many years, do you consider the present position satisfactory ?

*Mr. Rau.*—I have no reason to think otherwise.

*Chairman.*—I think we must avoid anything like panic on this subject. The Finance Member is ultimately responsible and it is up to him to take steps to see that he gets adequate details put before him and that he gets a Financial Commissioner in whom he can place complete confidence ; but in railways we are dealing with a big commercial undertaking where expenditure depends on traffic and all sorts of uncertain factors : it is not as if we are dealing with anything like these other departments that come before us.

*Mr. Roy.*—I want to fix the responsibility for budgeting on the Finance Department of the Government of India and on the Finance Member.

*Chairman.*—As I understand the position, the Government of India deliberately took the step of decentralisation in agreeing to the separation : instead of having detailed control by an outside department of railway finances, the Government of India said “ We will satisfy ourselves that the internal control is properly exercised.”

*Sir Frederic Gauntlett.*—I suggest that separation did not alter radically the relations between the Financial Commissioner and the Finance Member.

*Chairman.*—No ; it does not ; but it has meant that in practice a very considerable portion of his responsibility has been delegated to the railways : you are suggesting that that should be altered ?

*Mr. Roy.*—The Finance Member should be the ultimate authority so far as the railway finances go : Mr. Rau seems to say that it is done by the Railway Board.

*Mr. Rau.*—Not at all.

716. *Mr. Rau.*—Page 80, paragraph 147(b). May I make a statement, Sir, on this ? Minor points raised in connection with the recommendations contained in Sir Arthur Dickinson's Report have still to be dealt with by the Railway Board and are under examination by the Controller of Railway Accounts who is dealing with these matters. The particular case referred to in last year's Report was, in my opinion, more a case of stupidity and the orders already issued should serve the purpose pending the promulgation of detailed rules on the question. It is a case in which a man sold off more articles than there were in stock.

717. *Mr. Rau.*—As regards the Piece-work and Bonus system, I am afraid we have not got any further in the matter. As Mr. Parsons told the Committee last year, in the present disturbed conditions of labour, it is difficult to say when and at what stage the change can profitably be introduced.

*Mr. Roy.*—The change will probably involve a getting rid of staff.

*Mr. Rau.*—We are trying not to fill vacancies and thereby to gradually reduce our labour staff in our workshops.

As regards cost accounting the recommendation of the Dickinson Committee in regard to workshop accounting has been examined and a memorandum was placed by Mr. Parsons last year before the Standing Finance Committee on the subject. The last paragraph of the memorandum was as follows. "We would like to make it clear that it will take a few years before we fully re-organise our workshops and the system of workshop cost accounting. Special steps will have to be taken to secure the services of qualified Production Engineers and Cost Accountants". It is our aim to ensure that the accounting in a workshop should be such that the value of each job undertaken should represent as closely as possible what it actually cost to produce ascertained on a basis similar to that adopted in commercial undertakings. It will, I am afraid, take some time before we introduce proper cost accounting in the workshops. The system has been introduced in the Tatanagar Workshops where we manufacture underframes.

*Mr. Roy.*—These are the changes that led to riots in the workshops ?

*Mr. Rau.*—No. We do not want to have more unrest than we can help.

*Mr. Roy.*—You have plenty of it ?

718. *Mr. Rau.*—Yes. As regards (d), I examined the contract myself while I was in Calcutta in April last and I could not discover anything in it which could be held to facilitate fraud.

*Mr. Neogy.*—What does this relate to ?

*Mr. Rau.*—This refers to the sleeper frauds.

719. *Mr. Rau.*—As regards (e) I understand a statement was sent to the Director of Railway Audit in the beginning of this month. I should however explain to the Committee that a comparison of the expenditure on the crew system with recoveries made from passengers is not of much value considering that the main object of the crew system is not to recover any charges from passengers but to prevent passengers without tickets or with excess luggage travelling.

*Colonel Gidney.*—Is it an effective system ?

*Mr. Rau.*—I hope it is.

*Mr. Roy.*—When I was a member of the Railway Advisory Committee the question of amending the law was contemplated but as this crew system was introduced we did not like the proposal of amending the law. Is the system quite satisfactory ?

*Mr. Rau.*—We have asked the Agent of the E. I. Railway to give a comprehensive report in connection with a question in the Assembly in March. We have not got the report yet.

*Mr. Roy.*—As an ordinary passenger I can tell you that the system does not seem to have done very much good.

*Mr. Shervani.*—My experience is just the contrary.

720. *Mr. Das.*—Does not the promotion in this crew gang depend upon the amount of the collections ?

*Mr. Rau.*—They are supposed not to collect anything.

*Mr. Das.*—There is somehow an impression in the mind of the public that the promotion depends on the amount of collection that they make every day.

721. *Mr. Mitra.*—When do you expect the report of the E. I. Railway ?

*Mr. Rau.*—We wired to the Agent the other day and he told us that he would send it before the end of this month.

722. *Mr. Roy.*—What is the amount of money involved in the organisation of this crew system ?

*Mr. Rau.*—I could not tell you off-hand. Mr. Scott might perhaps be able to tell you.

*Mr. Scott.*—I could not tell you.

*Colonel Gidney.*—I asked a question in the Central Advisory Committee and the reply was that it was remunerative and further more I ascertained from the Member himself that the promotion of the crew system depended on the honesty of the public reflected in the dishonesty of the employee because a lot of crew men were refused promotion because their returns were not satisfactory. I have seen the letter myself.

*Mr. Rau.*—I have not seen it.

723. *Colonel Gidney.*—Do they serve under the Accounts Department ?

*Mr. Rau.*—No. They are under the traffic department, but the accounts department have got a system by which one of their men go round and see if people are travelling without tickets in spite of the crew men having checked the tickets.

*Maulvi Mohammad Yakub.*—They are not under the traffic department but directly under the accounts department ?

*Mr. Scott.*—Originally they worked under a special staff. Then when the experimental period ceased the entire operation was transferred to the traffic department, that is the operating department.

*Mr. Roy.*—They had their own ticket inspectors before ?

*Mr. Scott.*—Yes.

*Mr. Roy.*—Now they have these additional inspectors ?

*Mr. Scott.*—The ticket inspectors have to some extent been absorbed in the crew.

*Mr. Roy.*—They have all been absorbed ?

*Mr. Scott.*—Not all. A certain number of them have still to wait at the railway gates.

*Mr. Roy.*—You do not want to have a change in the law now if the crew system is perfect ?

724. *Colonel Gidney*.—There is one point. Has the crew system resulted in any gain to the railway or not?

*Mr. Rau*.—In the beginning we introduced the crew system in one or two divisions only and we found immediately on the introduction of the crew system a rapid increase of railway earnings.

*Sir Frederic Gauntlett*.—Last year I travelled 18,000 miles practically all over the Indian railways and I can tell you wherever you stopped at a wayside station you would see nearly half the passengers getting out on the wrong side of the station and the only way of stopping that is the crew system.

*Mr. Roy*.—Is it the object of the crew system or is it different? There was a lot of passengers travelling without tickets and there was consequent loss of revenue to the railways. So they wanted to put in a section in the Railway Act making it a penal offence to travel over a railway without a ticket. The matter was discussed in the Railway Advisory Committee but we really did not like the proposal and the crew system was introduced as a consequence. My own experience of the crew system is that it is an utter waste of money.

*Maulvi Abdul Matin Chaudhury*.—The crew system is a success in this sense; not in the sense of the money that it brings but as a preventive measure it has been very successful.

725. *Chairman*.—You expect to get this report by the end of August?

*Mr. Rau*.—Yes. The Agent has told us so and it is our intention to place it before the House.

726. *Maulvi Mohammad Yakub*.—Have you seen a recent ruling of some Court that a passenger travelling without a ticket cannot be ejected?

*Mr. Rau*.—The crew men are supposed to prevent passengers from getting into the trains and not to get them out.

*Mr. Shervani*.—That is not a ruling. That is only a magistrate's opinion.

*Maulvi Mohammad Yakub*.—When the crew man examines tickets and he finds that a passenger has travelled without a ticket he collects the amount from him and gives him a receipt.

*Mr. Rau*.—The original idea was that the crew men ought not to collect any excess fares, but as a later development, as it was a source of some inconvenience to the public, certain selected crew men—the men in charge, were allowed to collect.

*Mr. Neogy*.—The alternative was to turn the man out.

727. *Mr. Roy*.—What are the railways in which you have this crew system?

*Mr. Rau*.—The G. I. P. Railway has it in certain divisions and the E. B. Railway and S. I. Railway have had it for some time. It is still in the experimental stage.

728. *Mr. Roy*.—Can you tell us anything of foreign practice, whether, for instance, in England they have anything like a crew system?

*Mr. Scott*.—The conditions which prevail in this country are very different from those which prevail, say, in England or in America. In America I found

there was an attendant in charge of the coach who examined the tickets of those who were in it. The corridor carriages make a difference and there is a particular man in charge of each coach but here in India the fact of the matter is that the stations are not fenced. That is the difficulty.

*Colonel Gidney.*—Have you not got a man in charge of each coach in India now ?

*Mr. Scott.*—That is the crew system. If we had corridor carriages and if we had really thoroughly fenced stations, then the crew system might be modified with advantage.

*Sir Frederic Gauntlett.*—You invented the crew system and you did it mainly on your knowledge of practices on other railways, specially on the American railways ?

*Mr. Scott.*—I noticed it on the American railways but I have noticed too that on the Indian railways if you had travelling ticket examiners you would get as much recoveries from them as you wish because they adopt the simple method of diverting people from the booking offices.

729. *Mr. Neogy.*—If Mr. Scott was the inventor of the crew system why did you hand it over to the traffic department ?

*Mr. Scott.*—I was the parent of the system but I was not allowed any discretion with regard to my own progeny.

*Mr. Neogy.*—Is any special benefit claimed for the crew system being placed under traffic control ?

*Mr. Scott.*—If my individual opinion was asked I should think it should be the last department that should have charge of it.

*Mr. Neogy* and some other members : We agree with you there.

*Colonel Gidney.*—Were not the original ticket collectors and ticket inspectors under the traffic ?

*Mr. Scott.*—Ticket collectors at stations have always been under the traffic department but travelling ticket examiners on some of the railways have been under the accounts department and on others under the traffic department.

*Mr. Neogy.*—What were the reasons that induced the Railway Board to agree to this transfer of control ?

*Sir Frederic Gauntlett.*—I think I might be useful in throwing some light on this question. So long as the audit and accounts were not separate it was improper to have a staff like that working under audit. I think it is essentially what we call an administrative function. Now that there is separation of audit and accounts, of course, a staff like that will never come under audit and it would be quite reasonable to argue that it could come under accounts rather than under traffic. Once the separation comes in, I would agree with you entirely. As to what has happened in the past, on the whole I think it was correct.

*Chairman.*—Could we sum up this discussion because we have got a good deal to deal with. So far as I understand, one of the things which emerge from



this discussion is that the Committee is in favour of shifting over the control from traffic to accounts. What else are we recommending? We have not got before us any report comparing the expenditure of the crew system with the recoveries and giving us any data as to the results. Is there anything further, in the absence of that report, that we can say at present?

*Mr. Shervani.*—Would it be proper to suggest this change before the report is out? Should we not wait till the report comes out.

*Chairman.*—I do not think that the report will have any bearing on that question.

*Mr. Shervani.*—In the report the whole crew system will be under examination.

*Colonel Gidney.*—I should say that we should await the report.

*Mr. Roy.*—The question relates to effective control and it is the traffic department that has to be checked by this crew system.

*Mr. Neogy.*—There is no use putting the same man in charge.

*Mr. Roy.*—If there is a crew system it ought to be under the accounts.

*Chairman.*—I gather there is no unanimity about the idea.

*Colonel Gidney.*—I dissent.

*Mr. Roy.*—(To Mr. Scott) Are you satisfied now about the crew system?

*Mr. Scott.*—I am satisfied about the crew system as a system.

*Mr. Roy.*—As preventing travelling on the railway system without tickets.

*Mr. Scott.*—As a system it is all right, but if I am asked whether I am perfectly satisfied with the way in which it is administered.

*Mr. Neogy.*—That is the question. What do you think of its practical administration?

*Mr. Scott.*—I think it is manifest that it is being worked inefficiently in that large collections of excess fares are made by the crew staffs.

*Mr. Rau.*—That is contrary to the intention.

*Mr. Scott.*—The fundamental principle of the scheme is that the crew system should be barred from collecting money.

*Mr. Rau.*—So that it should not lead to corruption.

*Mr. Roy.*—Are you agreed that the control should be invested in authorities other than the traffic?

*Mr. Scott.*—My reason for doing that is that the section of the public who are most culpable in misusing the railway are the operating staffs, their friends and their relatives.

*Maulvi Mohammad Yakub.*—And therefore we want that the crew system should be under the accounts department and not under the traffic.

*Mr. Scott.*—I think that would be a great improvement. Because it would be very difficult for them to report against their own superiors.

*Colonel Gidney.*—I thought the greatest sinners were the priests and those people who go to these fairs.

*Mr. Scott.*—But that is limited. They are a difficult section of people to deal with but it is not a very large section.

*Colonel Gidney.*—You just now said that the reason why you thought it should be under the accounts and not the traffic was the large amount of illicit money that the crew system extract from the public.

*Mr. Scott.*—I did not say illicit. I simply made a statement of the excess fares which they collected and to all appearances they are perfectly licit collections.

*Colonel Gidney.*—What I wanted to ask you is, why is it then that the accounts department withhold promotions and other things from these very people on the ground that they do not make an adequate return of collections?

*Mr. Scott.*—If any traffic staffs were allowed to collect money—and I have had experience of that—they can collect pretty well as much as you want them to.

*Colonel Gidney.*—The Allahabad crew system is under the accounts department of the E. I. Railway?

*Mr. Scott.*—I do not think so.

*Colonel Gidney.*—It is a recent change.

*Mr. Scott.*—I do not think it could have happened without our knowing it.

*Chairman.*—We come back to the same conclusion. I do not think we can do very much more at present than recommend consideration that the accounts department should be in charge of the crew system and not the traffic department and that we should like to comment on the delay in having this report which makes it difficult for us to make any final recommendation and that this Committee would like to have next year a report on the question of the efficiency with which the system is being applied and administered. I think something on those lines is about all that we can do at present.

*Colonel Gidney.*—I should like to see the crew system administered by a crew department.

*Chairman.*—You had better put in a separate recommendation. (Laughter).

*Mr. Rau.*—Do you want the Railway Board to prepare the report about the efficiency of the crew system or: . . . .

*Chairman.*—The Railway Board, because the Railway Board will have all the materials for the purpose.

730. *Mr. Rau.*—As regards (f) I have no remarks to make. The Accountant General has said that the procedure has been revised.

731. *Mr. Rau.*—As regards (g) we have obtained from the Army Department the information as to the procedure in force there and we are now consulting the Railway Administrations whether it will be feasible to have the

procedure exactly adopted on the railways or with any modifications. We have not got all the replies as yet.

732. *Mr. Rau.*—As regards (h). I notice that the Finance Department has issued last week orders laying down the general principles of this question. The Railway Board will shortly take up the question of issuing detailed subsidiary instructions.

*Colonel Gidney.*—The instructions issued before on this matter were ignored? That is a serious aspect of the matter. Although the instructions have been issued, the agents, or the divisional engineers, or the district engineers or the subordinates have ignored them.

*Mr. Rau.*—There are cases in every department in which instructions that have been issued are ignored to some extent.

*Sir Frederic Gauntlett.*—I suggest that that had better be raised on individual cases as they come.

*Mr. Roy.*—It is Colonel Gidney's contention that the railway are habitual offenders in this respect.

*Mr. Rau.*—I do not admit that. I think the Railway Department is as good a department as any other.

*Colonel Gidney.*—What I wanted to place before you is this. The Railway Board has got a habit of issuing these orders and the agents and other subordinates have got a habit of disobeying them. Is it not possible that we should apportion the responsibility on some one in the Railway Board?

*Chairman.*—I do not see how your point arises in connection with this item.

*Mr. Roy.*—In previous years it has been settled that we are not an executive body and that we cannot fix responsibility on anybody.

*Sir Frederic Gauntlett.*—I suggest that we will have another opportunity of saying something quite definite on the cases that come up where the orders regarding contract, etc., have not been carried out.

*Chairman.*—I think that deals with that item.

733. *Mr. Rau.*—As regards (i) I must apologise to the Committee that the orders were issued only very recently. There seems to have been some breakdown in the routine procedure of our office and no orders were issued. When the case came to my notice about a week or so ago, I had these orders issued.

734. *Colonel Gidney.*—In all these questions of policy don't you address your circulars to all railways or do you separate them?

*Mr. Rau.*—There are certain circulars which we have to address only to state managed railways. There are certain other circulars that have to go to all state-owned railways, and there are still others in which the Railway Board has powers under the Railway Act and so issues circulars to all the railways.

*Colonel Gidney.*—Does the Railway Act contemplate any discrimination between one class of railway and another.

*Mr. Rau.*—So far as State-owned railways are concerned we issue orders to them, but as regards those which are not state owned we have got only certain statutory rights.

*Mr. Neogy.*—The Railways Act does not discriminate between one class of railways and another, but the powers of the Railway Board are different with reference to different classes.

735. *Mr. Das.*—How is it that the Railway Administration commits so many mistakes while the P. W. D. do not.

*Mr. Rau.*—For one thing the railways in India are a much bigger concern than any public works department.

*Mr. Das.*—It is managed by efficient officers and engineers. Though we may have engineers countenancing falsification of measurement books, still I find that the railway engineers are specially prone to it. Will this circular go to the B. N. W. Railway as well?

*Mr. Rau.*—It will go to all railways.

736. *Mr. Shervani.*—What is the reason of this delay in issuing orders under this head?

*Mr. Rau.*—As I have told you, there seems to have been some breakdown in our office procedure because nobody noticed that the Committee desired this and it was only when I saw this myself about a few days ago that orders were issued.

*Maulvi Mohammad Yakub.*—Who was responsible for this? Unless you take some disciplinary measures....

*Mr. Rau.*—I must assume responsibility for my office entirely. It was my duty.

*Maulvi Mohammad Yakub.*—I do not think it can be the duty of the Financial Commissioner. There must be somebody in the office responsible for this.

*Chairman.*—I suppose the recommendation was not actually brought to the notice of anybody.

*Sir Frederic Gauntlett.*—May I raise a practical question? Is it really necessary to wait until the Government of India issue final orders before a recommendation like that is taken up? Cannot you gamble on the reasonable certainty that the Government of India would accept the suggestion?

*Mr. Rau.*—I think there is no doubt that a recommendation of this kind would be acceptable to anybody.

*Sir Frederic Gauntlett.*—Have you now improved the system whereby the report is overhauled and matters brought to notice on which orders have to be issued?

*Mr. Rau.*—I think the office knows that now.

*Maulvi Mohammad Yakub.*—Have you pinned the responsibility on somebody who could be brought to book?

*Mr. Rau.*—I must say it is my responsibility in this matter and I cannot pass it on to anybody in the office.

*Chairman.*—I think what we might do is to make a recommendation that as soon as the report appears every department should take note of the recommendations that apply to that department and that we think it a desirable thing that they should render a return to the Finance Department. Each Department should render a return to the Finance Department saying that they have received the report, that they have taken note of the following points and recommendations which affect their particular Department and will give them immediate consideration.

*Mr. Rau.*—I believe each Department is expected to do that at present and a statement is placed before the Public Accounts Committee next year.

*Chairman.*—I am suggesting something different. They should not wait until they have completed the action. They should send an immediate return saying that they have taken note of the recommendations which affect their Department. We could at once see whether they have missed any point. That would prevent what obviously occurred in this case.

737. *Mr. Rau. Paragraph 148 (a).*—The Finance Department issued a circular letter enclosing a memorandum regulating the enforcement of responsibility for losses sustained by Government through negligence or fraud of individuals. That applies to railway servants as well.

*Mr. Das.*—You have accepted it in full ?

*Mr. Rau.*—Of course the orders of the Government of India are binding on the Railway Department.

*Chairman.*—Why is it said that the question is still under consideration of the Government of India ?

*Mr. Kaula.*—The report was written on the 30th March.

*Sir Frederic Gauntlett.*—Those orders to which Mr. Rau referred do not deal specifically with the particular point mentioned here, that is, the recovery from the pension of a Government servant after he has retired.

*Mr. Rau.*—It is a general question in which the Railway Department cannot really issue orders.

*Sir Frederic Gauntlett.*—The action taken by the Government of India is rather elaborate. First of all there is the general question of the principles of disciplinary action. Those orders were issued by the Government of India about June. In addition there are the orders to which Mr. Rau has referred. There is the other question which has been raised as to whether there is any legal means whereby public claims can be obtained from a Government servant after retirement. Rules are going to be introduced into the Civil Service Regulations which will give the legal power. There is the further question as to whether a specific penalty can be enforced from pension.

*Chairman.*—The general instructions about disciplinary action to which Mr. Burdon referred the other day, will they cover this point ?

*Sir Frederic Gauntlett.*—The Resolution would probably have to be enlarged when these two matters are finally dealt with.

*Mr. Kaula.*—In the case of railway employees, there are very few cases of pension, so that this question does not arise in practice.

*Maulvi Mohammad Yakub.*—Is the question of recovering from Provident Fund also under consideration?

*Sir Frederic Gauntlett.*—I assume that it has always been the practice to enforce specific claims against the provident fund before it is finally paid off to the officer. I assume that no attempt has been made to recover from an officer who has been paid his provident fund.

*Chairman.*—As regards this matter that we are dealing with, we cannot say when it will be finally disposed of.

*Mr. Mitra.*—The provident fund of a man should not be paid if there is a case pending against him.

*Mr. Rau.*—We do not pay him his provident fund if there is any claim against him. But this probably refers to the discovery of the claim long after retirement.

*Mr. Neogy.*—This is rather a serious observation which the Auditor General has made last year. "When a definite case comes to the notice of the officers . . . the men retire very quickly." It is almost an allegation that you practically connive at their retirement.

*Mr. Rau.*—I think that what he meant to say was that we can get rid of men more quickly than other departments, as our men are non-pensionable.

*Sir Frederic Gauntlett.*—Certainly I never hinted that there was any connivance.

*Chairman.*—As regards this particular item, it is being dealt with. It will have to appear again. It is not finally disposed of.

738. *Mr. Rau.*—148(b).—The question is under the consideration of the Government. I think it is with the Finance Department at present. It has been explained, I understand.

739. *Mr. Rau.*—148(c). The question of the detailed procedure to be followed in the matter of pricing of stores is under consideration. As regards the point raised in this paragraph, I must say that there is not much reason to fear that revenue receives credit through adventitious circumstances; it can only be when prices are rapidly rising owing to extraordinary, and in their very nature temporary circumstances. Such circumstances did happen during war time and it resulted in considerable credit to revenue. Such circumstances do not obtain at present. All the same we are investigating this question of the detailed procedure to be followed in the matter of pricing

stores. Mr. Parsons wanted to consult the Director of Commercial Audit and the Auditor General on this point I believe.

740. *Mr. Rau.*—148(d). A memorandum on the recommendations of Sir Arthur Dickinson on the system of stores accounting on State railways was placed before the Standing Finance Committee for Railways last year and after approval by them we have issued instructions that materials should be obtained strictly in accordance with the detailed provision in the sanctioned estimate and within a reasonable time before the commencement of works and materials not used should be returned to the stores or to other divisions where they are likely to be utilised.

*Mr. Roy.*—In page 5 the Auditor General defines the functions of the Controller of Stores, such as keeping ledgers, etc. Does he purchase ?

*Mr. Rau.*—Yes.

*Mr. Roy.*—Then why is that omitted ?

*Mr. Rau.*—Probably because it is not relevant to this particular thing. This does not give all the functions of the Controller of Stores.

*Sir Frederic Gauntlett.*—As regards (d) the reason why (d) was raised originally was because the Railway Board made an earnest attempt to reduce stores balances and one of the means taken to reduce the stores balance was to send as much as they could out of the stores on to the site of works. It was the Railway Workshop Committee that called attention to that matter.

*Colonel Gidney.*—It was really something of the kind that led to the total value of stores in the E. I. Railway being 2 crores and 70 lakhs.

*Sir Frederic Gauntlett.*—We will come back to that when we come to page 5.

*Chairman.*—It is a very dangerous practice.

*Kumar Ganganand Sinha.*—Has the practice been discontinued ?

*Mr. Rau.*—We have issued instructions that they should not transfer stocks. Materials should be obtained within a reasonable time before commencement of work and materials not required should be returned.

*Chairman.*—When were those instructions issued ?

*Mr. Rau.*—18th December last year.

*Chairman.*—It is a very long time after the Report.

*Mr. Rau.*—We took the whole matter into consideration in connection with our examination of Sir Arthur Dickinson's Report.

741. *Mr. Rau.*—148(e). Any particular points that have come to notice of absence of co-ordination have been set right. I understand the Director of Railway Audit has already been asked to bring to notice other points on which action is required.

**Evidence taken at the thirteenth meeting of the Public  
Accounts Committee held on Thursday, the 22nd August  
1929, at 11-15 a. m.**

**PRESENT :**

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	} <i>Members.</i>
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) KUMAR GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Lieut.-Colonel H. A. J. GIDNEY.	} <i>Were also present.</i>
(11) Sir FREDERIC GAUNTLETT, Auditor General.	
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. G. KAULA, Director of Railway Audit.	
(14) Mr. B. NEHRU, Deputy Auditor General.	} <i>Witnesses.</i>
Mr. P. R. RAU, Financial Commissioner, Railways.	
Mr. W. H. SCOTT, Controller of Railway Accounts.	
Mr. J. A. TOWER, Director of Finance, Railways.	

Mr. Roy raised the point whether there was any statutory power given to the Governor General in Council by which he could appoint the Commerce Member as the Finance Member for a few days when the Railway budget was under discussion. He contended that the present practice of appointing the Commerce Member as Finance Member was irregular and quoted from the Legislative Rules in support of his contention.

The Chairman, Sir Frederic Gauntlett and Mr. Rau disagreed with this view. The Committee felt that there was a certain amount of ambiguity in the matter and that the rules were not quite clear on the point. The Committee therefore, desired to have a note from the Law Member on the subject and, in addition, to make the recommendation that whenever the Governor General exercises his power of appointing any Member as the Finance Member, the order of such appointment should be laid on the Table of the House as suggested by the Auditor General.

742. *Chairman.*—The first matter we have got to deal with are the serious cases of irregularity on the Bengal Nagpur Railway which are contained in the Annexure, especially Items 1, 6, 9, 11, 12, 13 and 14 on page 82. We had better ask Mr. Rau first if he has anything to say as regards the action taken.

*Mr. Rau.*—May I make a general statement? Last year Mr. Parsons told the Committee that he would have all these cases carefully investigated and that he would consider whether it was desirable to address the Board of Directors of the Company on these irregularities. He had no time to go into it himself but as soon as the Assembly session was over in Delhi, I went down



to Calcutta with the Director of Civil Engineering of the Railway Board and went into all the cases myself on the spot. I got hold of the Agent and the Chief Engineer and some other departmental officers of the Railway and also the Government Examiner of Accounts to present the other side of the case. I am in a position now to give the result of that investigation. The Railway Board have not yet taken any action in this matter because all the information that I wanted was not available till the beginning of this month. And then, since the Public Accounts Committee meeting was so close at hand, I thought it would be as well for me to place the facts before the Committee so that they could hear the railways side of the case and we may have the benefit of their advice before the Railway Board considers what action should be taken. Now if you will permit me I will go to the particular cases. In discussion if there is any particular point and if I can find out what view the Committee would take of the matter, that would be a great help to the Railway Board in coming to a decision as to what action should be taken in this matter.

*Chairman.*—It really amounts to this that the Railway Board is asking the Public Accounts Committee to perform these functions.

*Mr. Rau.*—No, Sir. As a matter of fact, I could have issued orders only at the beginning of this month but since it was a matter only of a fortnight I thought I might as well place the whole facts before the Committee.

*Chairman.*—I think you are putting a rather impossible task upon us. We ought to know what orders you have issued.

*Mr. Rau.*—In these particular cases I am going to give you the orders that I propose to ask my colleagues to agree to.

*Chairman.*—That would help us a great deal. Will you proceed then.

*Maulvi Abdul Matin Chaudhury.*—Was it not understood last year that the cumulative effect of all these irregularities was so serious that it was necessary to make a reference to the Board of Directors.

*Mr. Rau.*—That was on a reading of the Appropriation Accounts. We had not heard the railway side of the case at that time.

*Mr. Roy.*—Do you consider that you would get the railway authorities object to the considered rules of the Auditor General. So far as the Secretary of State is concerned and also the Government of India, I think the last word on the Appropriation Report must be of the Auditor General and of this Committee.

*Sir Frederic Gauntlett.*—I am glad you have said "this Committee" because I always preface every report I write with the statement that we attempt to give all the facts we possibly can to you, but you must listen to the other side first before coming to a final conclusion. Your final conclusion is of much greater weight than my statement of the case. I need not go into details but it is very often difficult for us to have access to all the papers from which we can find out everything that has happened.

*Mr. Roy.*—Then you accept the position given to you by Mr. Rau.

*Sir Frederic Gauntlett.*—I accept the position that this Committee ought not to make up its mind on any particular case brought to their notice by me until they have had an opportunity of hearing the other side of the case.

*Chairman.*—I would ask the members of the Committee not to intervene with special questions. Let us hear Mr. Rau's statement.

743. *Mr. Rau.*—Page 83, Para. 2. The Chief Engineer has again given strict instructions to all the officers under him that the practice, where it existed, of entering measurements of works in pocket books instead of directly recording them in the measurement books themselves should cease.

It is understood the Assistant Engineer was a new officer who did not know all the rules, and the fact that he did not claim travelling allowance for the journey is not a conclusive proof that he did not actually come to the headquarters as he might have omitted to draw the allowance or have been absent from headquarters for less than 8 hours, in which case he was not entitled to an allowance. The Railway Board propose to issue instructions that all journeys on duty should be entered in the travelling allowance journals, in order that no doubts may arise.

The District Engineer concerned has retired from service. In the circumstances the Railway Board does not feel that any further action can be taken.

*Chairman.*—Is that explanation satisfactory in this case?

*Mr. Mitra.*—Why were the sheets not forthcoming?

*Mr. Rau.*—I understand they were lost.

*Mr. Mitra.*—When important papers were lost in the Engineer's office, what action was taken against the person responsible for the loss?

*Maulvi Mohammad Yakub.*—Who was responsible for the loss of papers?

*Mr. Rau.*—I understand they could not fix the responsibility.

*Maulvi Mohammad Yakub.*—Certainly the Railway Board could fix the responsibility.

*Mr. Rau.*—This is a very small matter.

*Maulvi Mohammad Yakub.*—Small matter! The loss of records in an office is a small matter!

*Mr. Rau.*—The loss of papers is a matter of common occurrence. I know papers are lost even in my own office.

*Mr. Mitra.*—Is it your contention that if papers are lost nobody is responsible?

*Mr. Rau.*—Not that nobody is responsible. The Agent, I believe had an enquiry into the matter but could not fix the responsibility on any particular person.

*Mr. Roy.*—Are you quite satisfied with that explanation?

*Mr. Rau.*—I am not quite satisfied with that explanation. But I do not think this is a matter in which the Railway Board should proceed further.

*Maulvi Mohammad Yakub.*—The Committee should record its opinion that this is a very serious matter.

*Colonel Gidney.*—Has it been elicited that the District Engineer was at fault?

*Mr. Rau.*—That is what I understood from a result of my investigations. My opinion was that the District Engineer was the man primarily responsible in the matter and seeing that he had left service, nothing could be done at all.

*Mr. Mitra.*—Don't you feel that these sheets alone which are alleged to be lost, can show whether there was anything irregular? Don't you feel that these sheets were lost with a purpose? Some designing man must have done away with these sheets.

*Mr. Rau.*—It is unfortunate they were lost.

*Maulvi Mohammad Yakub.*—Are you sure they were lost or they were designedly withheld?

*Mr. Rau.*—I have no reason to believe that the latter was the case.

*Chairman.*—I think there is one general statement which seems to me too dangerous to accept, that is, in a case of this kind, it is not possible to place responsibility on any particular person. I say that the serious thing seems to be that the conclusion is accepted that it is not possible to fix responsibility for the loss of papers in an office. It must always be possible to place responsibility. There always is the head, whatever the unit in the office is, who is responsible for what goes on in that unit. He is responsible for anything that goes wrong. It may be that if you can fix responsibility very clearly on a subordinate, you can say the subordinate is the man who ought to be punished and the head is not guilty of any negligence and he may be excused. If the head is not in any way responsible for the action of the subordinate, then he need not be found fault with but the subordinate could be punished. But if you cannot find the subordinate to bear the responsibility, then the head of whatever particular unit you are dealing with retains his responsibility and there is nothing to relieve him of it.

*Mr. Rau.*—I am quite prepared to ask the Agent to try and fix the responsibility upon the particular person in whose custody these sheets were and to take disciplinary action against him.

*Chairman.*—If the Agent cannot find the person, then the head of that unit or organisation is responsible for the inefficient way in which this unit is being carried on.

*Maulvi Mohammad Yakub.*—And he must be held responsible.

*Sir Frederic Gauntlett.*—Were these sheets lost during the period of the tenure of the District Engineer who has retired?

*Mr. Rau.*—I am sorry I do not know.

*Kumar Ganganand Sinha.*—Will you kindly make enquiries?

*Mr. Rau.*—Yes.

*Sir Frederic Gauntlett.*—The district engineer is the officer who is morally responsible.

*Kumar Ganagnand Sinha.*—You said you gave some instructions since ?

*Mr. Rau.*—I gave verbal instructions. I am going to issue written orders.

*Kumar Ganganand Sinha.*—When were the verbal instructions given ?

*Mr. Rau.*—In April.

*Mr. Shervani.*—The papers were at one time in the hands of the Assistant Engineer because he prepared the measurement sheets.

*Mr. Rau.*—Quite so.

*Mr. Shervani.*—Now it is pointed out that they were in the District Engineer's office where they were lost.

*Chairman.*—I think I must apply a closure to the discussion of this particular incident. I suggest that the conclusion of the Public Accounts Committee may be recorded thus : we cannot accept the statement that where anything goes wrong in an office, it is impossible to place responsibility. Therefore we ask that further enquiry should be made.

*Maulvi Mohammad Yakub.*—Was the Assistant Engineer a new man ?

*Mr. Rau.*—Yes.

*Maulvi Mohammad Yakub.*—That is not the man who has retired ?

*Mr. Rau.*—No, it is the District Engineer.

*Maulvi Mohammad Yakub.*—What action did you take against this new man ?

*Mr. Rau.*—The Agent assured me that his later record was very good and therefore I did not feel incumbent on me to ask the Agent to make further enquiry.

*Maulvi Mohammad Yakub.*—Very often higher officers are condoned and inferior servants are punished. If the later record of the officer is good, does it not warrant even a warning or a censure against him for his negligence ?

*Mr. Rau.*—It is a very difficult matter to punish a man for a thing that happened six years ago, especially when he was particularly new to the work and did not know what the rules were. Having in view the fact that his later record was good, I would feel it very difficult to suggest the punishment of such a man.

*Mr. Mitra.*—Why has it taken six years ?

*Mr. Rau.*—It was brought to our notice only last year.

*Maulvi Mohammad Yakub.*—Do you mean to suggest that if a murderer cannot be arrested for 12 or 20 years and if he is arrested after that period, he ought to go unpunished because of the lapse of time ?

*Mr. Rau.*—There is some difference between an irregularity of this kind and a murder.

*Maulvi Mohammad Yakub.*—There is difference, but there will also be difference in the punishment meted out. Will not this Committee consider it

proper that something should be done to this man so that he may not commit the same fault again ?

*Chairman.*—Let us consider what action could have been taken against him. A censure or a warning might have been conveyed to him that any second occurrence of an incident of that kind would involve his dismissal or some other definite action. In the circumstances, the punishment could not have been more than that. I think it is rather difficult to take that kind of action six years later on. He can only be told now that comments have been made on the case by the Public Accounts Committee and that he is warned.

*Maulvi Mohammad Yakub.*—At any rate the censure of this Committee may be communicated to the officer concerned.

*Mr. Rau.*—The chief object of a censure is to see that he does not commit those offences again.

*Chairman.*—It is a mark on his record which will prejudice him in future.

*Maulvi Mohammad Yakub.*—Do you keep service books ?

*Mr. Rau.*—No, not for officers. We keep personal files for officers.

*Maulvi Mohammad Yakub.*—Why can't you make an entry in his personal file regarding this incident.

*Mr. Rau.*—I do not think it is right to make any entry in the personal file of an officer for an offence committed six years ago. I think the fault should be considered as condoned.

*Chairman.*—In that case, the fact that a note has been made in his personal file would not prejudice him. It is no argument against him.

*Sir Frederic Gauntlett.*—I might explain, Sir, that in the case of the Indian Audit and Accounts Service, if a specific fault is found out, it is entered in the record and when good work is done, that is also entered in the record. But the mere fact that a fault is found out two or three years later, does not obviate the necessity for making an entry. I consider as an administrator that confidential reports should be the current record of the man's work, good or bad.

*Mr. Rau.*—May I ask you, Sir Frederic if you discover an officer's misdeed six years later and if his conduct throughout those six years has been very good, would you still enter in his personal file the offence committed by him, if it were a slight offence.

*Sir Frederic Gauntlett.*—I should certainly accept the principle that a man is to be told whether his work is good or bad. If there has been any success in the administration of the service of which I am the head, it is very largely due to the fact that I have been absolutely rigid on this point as you, Mr. Rau, know very well.

*Chairman.*—If they think that that was a definite fault in spite of his inexperience at the time, a record of that fact should be made in his record of service.

*Mr. Roy.*—Can you enforce it on B. N. Railway ?

*Mr. Rau.*—I can only tell the Agent that that is the opinion of the Railway Board.

*Kumar Ganganand Sinha.*—When did the officer retire ?

*Mr. Rau.*—I am afraid, I do not know. It must be before it was brought to notice.

*Colonel Gidney.*—If a similar or a lesser offence is committed by a subordinate, he is instantly handed over to the police and even sent to jail.

*Chairman.*—That does not arise in this particular case. I think we may be satisfied to leave it at the point which I gather has been agreed upon, namely that some entry should be made of this incident in the officer's records and the fact that this occurred six years ago does not obviate the necessity of taking that action. His good conduct since then would of course detract from the effect of that entry naturally.

*Mr. Mitra.*—In fact in some other services any entry for bad work is condoned after a successive period of good work for three years. An entry could be made for the time being and that might be condoned for subsequent good work.

*Maulvi Mohammad Yakub.*—If he does any bad work after this, there will be a second entry. If you do not make any entry now and if he does bad work afterwards, then that will be only the first entry.

*Chairman.*—I think we may now pass on to the next item.

*Colonel Gidney.*—I am not prepared to subscribe my name to that because if the Assistant Engineer acted under the order of the District Engineer, I do not think how the former could be blamed for that. If he had not acted up to the instructions of the executive head, he might be punished for disobedience.

*Mr. Mitra.*—I think a subordinate cannot do an illegal act even though ordered by his superior officer.

*Colonel Gidney.*—If a superior gives an order to his subordinate, the latter must obey it.

*Mr. Mitra.*—Surely not if it involves an illegal act.

*Chairman.*—As far as I can gather from the witness, the Railway Board did consider that some responsibility attached to the Engineer.

*Mr. Rau.*—If what the District Engineer asked the Assistant to do was not a proper thing, then the latter would be held responsible under the rules.

*Sir, Frederic Gauntlett.*—It is a very dangerous thing to subscribe to the view that once a senior officer retires, the junior officers can always say that they acted under instructions from the senior. There is no written proof in support of that statement at all.

744. *Mr. Rau.*—Page 84, paragraph 3. The Chief Engineer explains that sometimes it is necessary in cases of dispute between the contractor and the Assistant Engineer, to arrive at the amount of work done on the basis of labour actually employed and not on the basis of measurements. It is admitted, however, that it was wrong of the Divisional Engineer to have made out fictitious daily reports instead of merely referring to the basis on which he had

allowed payment. The District Engineer has retired from service and the amount involved is, I understand, only Rs. 64.

The Railway Board asked the Agent in June 1928 to impress upon his subordinate officers that misrepresentation of facts in the accounts is a most serious offence and will be taken serious notice of. A circular was issued by the Chief Engineer in August 1928 to this effect. It is understood that the District Engineer was an officer with an otherwise good record.

*Chairman.*—I think in this case also nothing further could be done as regards the officer. I am afraid that, as explained in the Auditor General's letter, there are several items like this and unless we call for a special sub-committee to deal with these specific items, we may not be able to get through the whole work in the time allotted for this Grant.

(To a request from some of the Members to allot next week for a discussion of the railway items, the Chairman regretted that owing to the meeting of the Standing Finance Committee, he would not be available to preside over the meeting of the Public Accounts Committee, if held next week. After some discussion, it was agreed to appoint a sub-committee to go into these specific items. The names of the members of the sub-committee were left to be settled later on.)

745. *Mr. Rau.*—Pages 87-88, paragraph 6. The view of the Administration is that the additional payments to the contractor were justified in the circumstances. The position was that when the work had been  $2\frac{1}{2}$  months in progress and labour had been imported for the same, as local labour was not available, the Government of Bihar and Orissa for political reasons asked the Railway to stop the work until formal acquisition proceedings were completed. Owing to these difficulties considerable losses were incurred by the contractor by circumstances beyond his control. As a result of a special enquiry held by the Superintendent of Construction certain specific claims were admitted and it was considered that part of the claim was justified and it was desirable to pay the contractor immediately something on account in order to provide funds for him to carry on the construction. The contractor's claim was originally for 3 lakhs but it was reduced by the Superintendent of Construction to what he considered reasonable in the circumstances.

The mistake was that instead of making the payment in a straight-forward manner the Superintendent of Construction entered fictitious measurements in the measurement book to support the payment; his excuse is that no auditable details were obtainable to prepare bills in the ordinary way and he was afraid that a clear statement of each item of losses that were refunded might have involved the Railway in a large number of unjustifiable claims from other contractors. The second bill was originally entered as compensation for coolies unemployed in consequence of the orders to stop work, but it was objected to by the Chief Engineer and changed by the District Engineer under the orders of Superintendent of Construction to the form 'Coolies employed on earthwork'.

The irregularity was chiefly in the method of payment and probably no actual loss was involved in the sense that the Railway did not actually pay

more than they would have had to pay if the matter had been brought to arbitration but there is no doubt that there was deliberate misrepresentation of facts for which high officers of the Railway were responsible and but for the fact that both the Deputy Chief Engineer and the District Engineer concerned have left the service the Railway Board would have insisted on proper disciplinary action being taken against these responsible officers who ought to have known better. The Agent is fully alive to the seriousness of the irregularity.

I should add that the Railway Administration have particularly desired that two points in the Accountant General's report which they consider ambiguous should be made quite clear. In the first place the entry in the measurement book was not made by the Deputy Chief Engineer of the open line but by the Superintendent of Construction who held the rank of Deputy Chief Engineer. They consider that the statement as it stands might convey the impression that the entry was made by an officer unconnected with and not responsible for the supervision of the work whereas actually the head of the construction branch had held a three days' enquiry on the spot to consider the claim of 3 lakhs and the practical cessation of work for want of funds and exhaustion of credit. In the second place the demi-official communication referred to was sent by the District Engineer demi-officially to the Chief Engineer as authority for his payment and was not removed by the Deputy Chief Engineer personally with any ulterior motive as is apparently suggested.

I have impressed on the Railway Administration the desirability of describing the reasons for any payment as accurately as possible and told them that if the grounds for the payment were reasonable and if Audit objected on technical grounds to the payment they should report the matter to the Railway Board for special sanction.

746. *Mr. Das.*—It really comes to this, that the railway administration even after its reorganisation was not exercising proper control from 1923 to 1925. So many scandals are coming to light which only confirms the belief that the Railway Board is very slack in its supervision.

*Mr. Neogy.*—I have given notice of a general question regarding the amount of control which the Railway Board exercises over the company managed railways. I think this point which Mr. Das refers to can be dealt with at that time.

*Mr. Rau.*—I can give an answer to Mr. Das if you like, Sir. The Railway Board depend for their control upon company-managed lines on the Government Examiner and the Government Inspector, on the latter, for the safety of the line generally. For financial control they depend upon the Government Examiner who has to bring to the notice of the Railway Board whatever irregularities and defects he finds in the course of his audit. Unless these defects are brought to the notice of the Railway Board, I do not know how they can take any action.

*Sir Frederic Gauntlett.*—We are getting very near the main point in the whole of our discussion. The Government Examiner had a comparatively large office up to about 1912-13. It was then suggested by the Accountant-General, Railways, at the time that all that was necessary was for the Govern-



ment Examiner to be in a position to check merely those points in which there was a difference of interest between the company and the Government. The underlying assumption was that the company must theoretically administer the line better than the State itself and therefore all detailed administration could be left to the company itself except where their interests were opposed to those of Government. That theory was accepted at the time and the staff of the Government Examiner was very materially reduced to the minimum that was necessary which was to watch those cases in which the interests differed. About 1923, Mr. Phillipe who was Accountant General, Railways, and who had very considerable experience, came up to me and said that the work on the company-managed railways was getting much worse than the work on the State lines and that it was necessary to apply a stronger check than it was possible to apply with the staff then existing. I put this view to the Public Accounts Committee who were also impressed with the different cases that came up from the company-managed lines and also still more with the lack of cases that did not come up from company lines and they recommended that the Government Examiner's offices in Calcutta and Bombay should be allowed to continue to work on one railway only whereas previously they had done the work on two, so that the staff of the Government Examiner in Calcutta which previously had scrutinised the work of both East Indian Railway and Bengal Nagpur Railway concentrated on the Bengal Nagpur Railway only. This is the first year's result.

*Chairman.*—Do you now think that the staff is adequate?

*Sir Frederic Gauntlett.*—No, Sir. I have been pressing for the introduction on the company lines, exactly the same scale of audit as I considered it necessary to apply to the State lines. The scale of audit which I have recommended for the State lines is based on the recommendations of Sir Arthur Dickinson himself. In fact, Sir Arthur Dickinson studied the system which has been introduced by me in East Indian Railway under Mr. M. K. Mitra who devoted a very great deal of work to it and Sir Arthur Dickinson practically endorsed the system which has been introduced there with certain minor variations. I have studied Sir Arthur Dickinson's recommendations in great detail and I have slightly reduced the scale of audit which he recommended and I have now devised a scheme of audit which I consider to be the minimum necessary at the present stage of development of accounts work and I say that it is just as necessary to apply that system and that scale of audit to company lines as it is to State lines. That is the principle on which I have based my recommendations to the Government of India which are now with the Finance Department.

*Chairman.*—Has that recommendation been considered by the Railway Board?

*Sir Frederic Gauntlett.*—It has come back from the Railway Board to the Finance Department and is now with them.

*Mr. Burdon.*—I have been examining the case myself.

*Chairman.*—Have you had time to formulate any views?

*Mr. Burdon.*—No, Sir. It is a very heavy case and I have not had time.

*Chairman.*—What is actually involved? Is it very heavy?

*Sir Frederic Gauntlett.*—It involves roughly—I do not remember the figures—probably about a 50 per cent. increase of the present staff and also the introduction of a Senior Officer at Madras.

*Chairman.*—In terms of money, what does it involve?

*Mr. Burdon.*—5 or 6 lakhs a year.

*Sir Frederic Gauntlett.*—What I contemplate is audit circles, one at Calcutta which will deal with the Bengal Nagpur and the East Indian Railways, another at Calcutta which will deal with the Eastern Bengal, the Assam Bengal and the Burma Railways, another at Lahore which will deal with the North Western Railway, Bengal and North Western Railway and the Rohilkund and Kumaon Railway, one at Bombay which will deal with the Bombay, Baroda and Central India and Great Indian Peninsula Railways and another down at Madras which will deal with the Madras and Southern Mahratta and the South Indian Railways and also the branch of the Clearing House which it is contemplated to erect, and the total additional cost of all these will be 5 to 6 lakhs.

*Chairman.*—You made a remark which was interesting. You said that this is the minimum standard which you consider proper in the present stage of development of the system of accounting on the Railways.

*Sir Frederic Gauntlett.*—My system of audit is based entirely upon the accuracy of the work which I check. The moment that I find that they get more accurate, I contemplate a reduction of audit. We are actually engaged in that at the present moment in the United Provinces.

*Chairman.*—Supposing your recommendation is accepted. You think that it is quite possible that in 5 years' time you might be able to say that the standard of accounting work has improved so that there may be some reduction in the audit?

*Sir Frederic Gauntlett.*—Emphatically, Sir.

*Chairman.*—That would make it much easier for this Committee to make a recommendation. It is easier to recommend something which we think is essential for the next few years than to make a recommendation which must be a permanent one.

*Sir Frederic Gauntlett.*—I might explain that Mr. Barr who has had more experience of separation of Audit than any of my officers has changed his actual system of audit as applied to the Military and the Army Department, 2 or 3 times already. It is constantly in a state of flux. We do keep that intently in our minds. Where we find the accounts are badly kept, we check more; where we find it is improving and getting moderately accurate, we reduce our check to the minimum.

*Chairman.*—Is it your view that it would be doing all that is reasonably possible to prevent all these instances where things have gone wrong if your recommendations for the increased staff which you just described to us were accepted? As far as the practical recommendation is concerned, are all the cases that we are going to consider going to lead out to that one practical recommendation?

*Sir Frederic Gauntlett.*—Yes, Sir, might I explain it in this way? I fancy we shall find that all these cases came to notice on a series of local investigations of the various district offices by the Government Examiner of Accounts. Up to that time it had hardly any opportunity of getting-out of its office.

*Chairman.*—In fact, they were brought to notice too late because the staff was not adequate?

*Sir Frederic Gauntlett.*—Exactly. This is the first time that we have been able to enlarge the field of audit to get into this at all. We have not been in this field of audit before.

*Chairman.*—I would like to ask you whether you agree with that, Mr. Rau.

*Mr. Rau.*—As Sir Frederic has pointed out, it was on account of the increase of the Government Examiner's staff that all these defects were discovered. To enable the Committee to view this in its proper perspective I ought to mention that the irregularities discovered do not relate to a single year. They relate, some to 1922-23 and some to 1920. It is really the cumulative effect of the defects of a number of years that has been brought into one report. I do not blame the Accountant General for that. He has helped us considerably in this matter. But the fact that the previous staff was inadequate did result in many of these irregularities not being brought to our notice in time for us to take any effective action. A reasonable increase in staff, which I would myself consider ought to be on a temporary basis for a few years, just as the Auditor General suggests, would be quite a reasonable recommendation for this Committee to make.

*Chairman.*—You say first of all that this looks worse than it ought to be because we have got telescoped together the bad cases of a number of years. I think that is a reasonable statement.

*Mr. Kaula.*—May I question that? This is not a complete picture of the actual state of affairs.

*Mr. Neogy.*—It give us a fair sample.

*Mr. Kaula.*—All this work should have been done by the Company's Auditor who was in existence all the time with a full staff.

747. *Mr. Neogy.*—May I enquire whether it is not a fact that there are definite rules under which Company's Auditors work which preclude them from bringing to notice these defects, even if discovered, to anybody but their Home Board? If there are, could you get those rules amended so that, as you are thinking of providing an additional staff, you could get reports from the Company's Auditors themselves to help you in carrying on the work?

*Mr. Rau.*—The Company's Auditors are definitely subordinate to the Home Board and at present I myself have a case in which the Railway Board are considering whether we could not arrange that if the Company's Auditor does not agree with the Agent, the matter should be brought to the notice of the Railway Board.

*Mr. Neogy.*—Just as you have in the State-managed Railways?

*Mr. Rau.*—Yes.

*Chairman.*—I am trying to get at the points which we might refer to the Sub-Committee. The first is an increase in the Examiner's staff. Mr. Neogy has raised another point that it may also be necessary to alter the procedure or the requirements under which the Company's Auditors work. I should like to know what you have to say about that, Sir Frederic.

*Mr. Neogy.*—Before the Auditor General replies, might I refer him to the statement of Mr. Phillipe before the Public Accounts Committee in 1925, page 183? He said that there are instructions from the Boards of Company-worked Railways to their Chief Auditors that they are not to report in Appropriation Accounts or Audit reports to Government anything which reflects on the work of their own officers.

*Sir Frederic Gauntlett.*—That has not been challenged so far?

*Mr. Neogy.*—I do not think so.

*Sir Frederic Gauntlett.*—I think possibly Mr. Phillipe made that statement rather too general. That these orders are in operation on many of the Railways has never been challenged and it was because we could get nothing from the Company's Auditors that induced Mr. Phillipe to urge that Government Examiners must be increased and we never dreamt what we shall discover when we increased the Government Examiners.

*Mr. Roy.*—Mr. Rau said that they are considering in the Railway Board that in cases of gross irregularities, the Auditor of the Company's line should report to the Railway Board.

*Mr. Rau.*—We are considering whether we can enforce any sort of direct responsibility of the Chief Auditor to the Railway Board.

*Mr. Roy.*—Have you considered the position of the Auditor? He is subordinate to the Agent. Do you consider your suggestion feasible?

*Mr. Rau.*—I am not quite sure about that.

*Mr. Roy.*—The Auditor is dependent on the Agent for his promotion. There have been cases in the past where Auditors have been made Agents. For instance, Mr. Douglas of the East Indian Railway and Mr. Marshall. In view of the position which the Auditor occupies in relation to the Agent, he cannot do it. The Railway Board is trying to do quite an impossible thing.

*Mr. Rau.*—We are considering whether we can do it in consultation with the Home Boards.

*Chairman.*—We could not get a final answer on this matter. We know that it is under consideration, and you, Mr. Roy, take a pessimistic view of anything coming out of it. We have now got two points for enquiry. The first is the question of the Government's own examining staff. The second is the question whether we can improve the position in any way by altering the status of the Company's Auditors. I think you would agree, Sir Frederic, with this line of enquiry now.

*Sir Frederic Gauntlett.*—Undoubtedly, Sir, the reason why we have steadily urged the former is because I fancy that the latter is impracticable.

*Chairman.*—As long as the Company's Auditors are subordinate to the Agent I do not quite see how you can help that at all.

*Sir Frederic Gauntlett.*—I agree with Mr. Roy.

*Mr. Roy.*—What is your own impression Mr. Scott as to the position of the Auditor ?

*Mr. Scott.*—Curiously enough, I have never been a Government Examiner. So, I could not make any statement such as that which Mr. Phillipe made.

*Sir Frederic Gauntlett.*—You do not contradict it ?

*Mr. Scott.*—I do not contradict it. What is evident is that the outcrop of all these irregularities is definitely due to the diminution of the Audit staff.

*Chairman.*—It is primarily due to inefficiency of the Railway staff ?

*Mr. Scott.*—When the Audit staff was larger, the affairs were much better. When it was diminished, this outcrop was the result.

*Chairman.*—Human nature on the Railways wants to know that it is going to be called to account frequently.

*Sir Frederic Gauntlett.*—I am perfectly certain that an increase of the Government Examiner's staff will materially enhance the efficiency of the work in Company's lines.

*Mr. Das.*—Certainly. The Committee entirely agree with it.

748. *Chairman.*—Are there any other outstanding points for enquiry, Sir Frederic ?

*Sir Frederic Gauntlett.*—There is the point raised by Colonel Gidney as to the differentiation between the disciplinary action against the Gazetted officers and against subordinates.

*Colonel Gidney.*—I am preparing a note on that.

*Chairman.*—There is nothing more that the Auditor General wants to say ?

*Sir Frederic Gauntlett.*—I think those are the three main points. There is Mr. Neogy's point about the general control over companies.

*Mr. Neogy.*—If it would suit the Committee, I propose to raise that point after we have dealt with all the B. N. Railway cases.

*Chairman.*—I just want to round off this general discussion. Coming back to the idea of a Sub-Committee of this Committee to make a more detailed examination of all these bad cases, I think what we should want from the Sub-Committee would be to tell us what practical recommendations arise out of these cases. We should tell them to direct their particular attention to the question of the sufficiency of the Government examining staff, the status of the Company's Auditors, the differentiation between officers and the subordinate staff as regards disciplinary action, and then the general question of the Railway Board's control over Company-managed lines.

*Sir Frederic Gauntlett.*—I feel that the latter is so important that it must be taken with the Committee.

*Chairman.*—All these questions must be taken. We are going to appoint a Sub-Committee to examine certain cases and it is as well that they should keep in mind the practical recommendations which we want from them.

*Mr. Das.*—I may point out that a previous Committee has said that the staff of the Government Examiner of Accounts should be increased.

*Mr. Neogy.*—We want to reinforce that recommendation.

*Sir Frederic Gauntlett.*—The file is now with Mr. Burdon. The more he hears about it the better. (Laughter.)

*Mr. Das.*—We ought to bring Mr. Burdon to the Sub-Committee.

*Mr. Neogy.*—It is worth while this Committee making that recommendation once again.

749. *Colonel Gidney.*—You said just now that you might take 1923 as the year from which company accounts have been audited. I find that there have been very very serious irregularities in State Railways. The East Indian Railway Stores Department is in a chaotic condition. The North Western Railway, which has always been a State Railway, is absolutely hopeless. On what grounds do you say that you will have an improvement in the Company-managed railways by the introduction of this system when you find the State Railways offending in the most terrible way. I want to be clear whether there is going to be greater efficiency with the expenditure of this 5 lakhs.

*Sir Frederic Gauntlett.*—I would only suggest, Colonel Gidney, first of all that the state of the Railways would have been very much worse if there had been no audit and secondly that I really think that we shall get a greater ultimate efficiency from the separation whether the accounts are under the company or under the State, and an independent outside audit is exercised by employing a separate staff than under the consolidated Audit and Account staff. I do sincerely feel that. I agree with what you have said with regard to the state of the East Indian Railway. At the same time I believe that Mr. Rau and Mr. Scott will say that a good deal has been done on the East Indian Railway during the last two years. They will also agree that there is even more to be done than what has been done.

*Maulvi Mohammad Yakub.*—Is it not also due to a certain extent to the fact that the Railway Board does not exercise proper control over the Railway Administrations? The Railway Board say that they are here only to guide the policy and not to interfere with the work of the Railway Administrations and they have made the Agents the sole monarchs of their lines.

*Sir Frederic Gauntlett.*—I must ask you to put that question to Sir Austen Hadow when he comes.

*Chairman.*—I think we had better now continue consideration of item 6.

750. *Mr. Neogy.*—Is it usual for the Railways to start work on lands which had not been acquired?

*Mr. Rau.*—Sometimes before formal acquisition proceedings take place. Land acquisition proceedings take a very long time and I understand that it

is the practice in certain Railways to start work when they can get the land with the consent of the owners and the local civil authorities but before the acquisition proceedings are concluded.

*Mr. Shervani.*—Do they do it under a contract ?

*Mr. Rau.*—By acquiescence of the owner and the civil authorities before the final acquisition proceedings are quite complete.

*Mr. Neogy.*—Was that the position in this case, that the owners had agreed and it was only the Local Government that came in the way ?

*Mr. Rau.*—The Local Government finally came in the way, I am told, for some political reasons.

*Mr. Roy.*—Is it not a fact that before you acquire any land you issue a notification in the Local Gazette ?

*Mr. Rau.*—The notification must have been issued. It is issued straight-away.

*Mr. Neogy.*—Is it not a fact that these notifications comprise more lands than are actually needed ?

*Sir Frederic Gauntlett.*—That does not arise out of this case, Mr. Neogy.

*Kumar Ganganand Sinha.*—What appears to me in all these cases is that we find that the District Engineer or the culprit retires soon after.

*Chairman.*—We have heard the explanation that owing to the inadequate examining staff, these cases were not brought to light in time to deal with the officer.

*Mr. Mitra.*—Do the Railway Board agree with the opinion of the Accountant General that the demi-official communication was removed from the District file by the Deputy Chief Engineer personally ?

*Mr. Rau.*—I thought I had explained that. That is one of the points that the Railway Administration wanted me to mention. They said that the communication was sent by the District Engineer demi-officially to the Chief Engineer as authority for his payment and was not removed by the Deputy Chief Engineer personally with any ulterior motive.

*Mr. Mitra.*—The demi-official was found ?

*Mr. Rau.*—Yes.

*Mr. Mitra.*—Has the Deputy Chief Engineer retired ?

*Mr. Rau.*—Both the Superintendent of Construction and the District Engineer concerned have left the service.

*Maulvi Mohammad Yakub.*—But the Chief Engineer has not retired ?

*Mr. Rau.*—The Chief Engineer was not responsible for the over-payment.

*Sir Frederic Gauntlett.*—He simply ordered the amount to be recovered. That is not an irregularity.

*Mr. Shervani.*—Could you fix the responsibility on any person for the alteration of the book ?

*Mr. Rau.*—The Superintendent of Construction altered the book. He was responsible for it.

*Mr. Mitra.*—In the second paragraph it is said: “records..... but which were not available at the inspection.” Have you made any enquiry about that?

*Mr. Rau.*—No. The Agent has been told that any documents that the Inspecting Officer asks for should be made available.

*Mr. Mitra.*—It is said here, “On re-examining records it was found that an item had been twice paid for.” How could they put in this remark? From that, I infer that some papers were not available for inspection.

*Mr. Rau.*—May I draw your attention to the last sentence? “The Company has been asked to make all records available for further investigation by the Government Examiner.” The Government Examiner did not tell me that any records were refused to him.

*Mr. Mitra.*—You read this second paragraph. It is clear that some papers were not available, because it is stated that on re-examination it was found that an item had been twice paid for.

*Mr. Rau.*—It was for that reason I take it that the company was asked to make all records available for examination and the Government Examiner did not complain that the records had been withheld from him.

*Chairman.*—What do you say about the Accountant General’s remarks?

*Sir Frederic Gauntlett.*—The inference to be drawn from the two statements is that all the further documents were supplied to the Government Examiner and he found nothing in these documents worthy of further comment.

*Chairman.*—There were still some documents which had been in existence at some time which were not available to the Examiner.

*Sir Frederic Gauntlett.*—When he first went to inspect them, the Agent was told that all the documents were to be made available. He has seen these documents and he has no further comments to offer. It is true that the documents were not made available to him at first.

*Mr. Rau.*—It is possible that at the time of the inspection these documents were not really there. They might have been at the Chief Engineer’s Office. I do not know it as a matter of fact, but it is quite possible.

*Maulvi Mohammad Yakub.*—Are you aware that they were shown to him, or is it only an inference?

*Sir Frederic Gauntlett.*—I assume that the Government Examiner has a certain modicum of ability. He has seen these reports and he makes a definite statement that they have been shown to him. If they had not been shown to him I assume that he must have informed us.

*Mr. Mitra.*—Then in all fairness to the railway I think these remarks should be withdrawn and he should say that he is satisfied.

*Sir Frederic Gauntlett.*—I have already explained that we simply put before you the evidence we have and it is for the Committee to form a



judgment. If the Committee thinks that it is only fair to say that the papers have been produced I should be only too glad to accept that.

*Chairman.*—I entirely agree with Mr. Mitra's comment on this paragraph. There is nothing in it to show us that the documents which were commented on in the earlier sentence as not having been available did become available as a result of that subsequent request.

*Kumar Ganganand Sinha.*—There is one little point. How could the Bihar Government interfere in your construction?

*Mr. Rau.*—Because the construction was in Bihar.

*Kumar Ganganand Sinha.*—Then can the provincial Governments interfere with the construction?

*Mr. Rau.*—They can tell us to go slower in this matter if the question raises serious political complications, and we try to oblige them.

*Mr. Das.*—Did you examine the Chief Engineer of the Bengal Nagpur Railway.

*Mr. Rau.*—Yes, Mr. Alexander was present all the time.

*Mr. Das.*—He was the man that you lent from the Railway Board?

*Mr. Rau.*—I think he was formerly in State Railways. That was before I joined the Railway Board. I think he is still on foreign service.

*Mr. Das.*—So he is an experienced man? In 1924-25 he did not exercise proper control over his staff?

*Mr. Rau.*—The Superintendent of Construction is a responsible man himself.

*Mr. Das.*—Yes, but subject to the control of the Chief Engineer.

*Mr. Rau.*—When the Chief Engineer saw all the facts of the case apparently what he did was to recover some money from the contractor.

*Mr. Das.*—Is it not a fact that new schemes are carried out even by company-managed railways and certain engineers from the Railway Board supervise these works?

*Mr. Rau.*—No, we do not exercise any supervision.

*Maulvi Mohammad Yakub.*—Does the fact that he realised some money from the contractor absolve him from all responsibility for lack of control?

*Mr. Rau.*—I could not say from my inquiries into this matter that the Chief Engineer was lacking in control. The whole point is that so far as I can discover the payments were reasonable payments to the contractor. The chief irregularity was in the manner of showing them in the accounts.

*Maulvi Mohammad Yakub.*—Do you not think that this irregularity was objectionable?

*Mr. Rau.*—Yes, it is a serious irregularity.

*Chairman.*—And if he found it out before the Deputy Chief Engineer retired he would have taken serious action. I think we have now got all that is necessary with regard to that particular item.

*Mr. Shervani.*—Sir, I want to ask Mr. Rau about the advisability of proceeding criminally against one of these people at least, because paragraph 6 is a clear case of forgery. If you are satisfied,—as you say you are,—that it was the Deputy Chief Engineer who altered the books, then it is a clear case of forgery and can we not have criminal proceedings against some of these fellows who consider themselves immune from it after retirement ?

*Mr. Rau.*—I do not think a criminal prosecution would lie in this case.

*Mr. Shervani.*—Why ? There has been an alteration in this book which can be traced to the Chief Engineer !

*Mr. Rau.*—But how can it be a forgery ?

*Chairman.*—I think we are not competent to discuss the legal point. If you want to raise the point the first step would be to refer to the Law Member the question whether criminal proceedings could have been taken. I think it is an interesting point, but it is too late now.

*Maulvi Mohammad Yakub.*—Have you consulted any legal authority about any or all of these cases ?

*Mr. Rau.*—No.

*Maulvi Mohammad Yakub.*—Are you still considering the propriety of referring these matters for legal advice ?

*Mr. Rau.*—I have not thought of that.

*Chairman.*—Let us put to the Law Member just a simple question giving him the facts and asking him whether in the circumstances criminal proceedings would have been possible.

*Sir Frederic Gauntlett.*—I think that the attitude of this Committee towards disciplinary action should be devoted almost entirely to the future rather than to individual cases that come up before us. I think it would be quite competent for the Committee to say that it views the circumstances of this case as very serious and considers that if such cases were to arise in future exemplary disciplinary action ought to be taken.

*Chairman.*—For the information of the Committee when dealing with future cases it would be interesting to know whether criminal proceedings could have been taken in a case of this kind. I suggest that we could usefully obtain that information.

751. *Mr. Rau.*—Item 9, page 89.—The Railway Administration admits that there was lack of judgment in the matter of the purchase of the bungalows and the price paid for them. It was explained that it was only after the dismantlement of the roofs that the exact condition of the buildings could be ascertained and it could be found that one of the bungalows was not worth repairing and was of a design which did not lend itself to reconstruction.

It was moreover stated that as soon as the bungalows were completely renovated, one of them was occupied while the other was lent to the G. I. P. Railway at their request. It has since been replaced at the disposal of the Bengal Nagpur Railway by the G. I. P. Railway and is now occupied by an official of the B. N. Railway.

*Chairman.*—What about the three special points to which our attention has been drawn ?

*Mr. Rau.*—The whole thing was that the railway administration admit that they made a mistake in purchasing the bungalows at all without going carefully into the matter.

*Maulvi Mohammad Yakub.*—Do you consider it satisfactory ?

*Mr. Rau.*—I agree with the railway administration that there was a lack of judgment in the matter.

*Colonel Gidney.*—What disciplinary action was taken ?

*Mr. Rau.*—No disciplinary action was taken.

*Chairman.*—Who was the officer responsible ?

*Mr. Rau.*—Probably the local District Engineer.

*Kumar Ganganand Sinha.*—The explanation that you have just read out only answers the second of the three points mentioned. What about the other two points ?

*Mr. Rau.*—If you want further information I will read out the letter of the Agent on this point—

“ I do not agree with the Deputy Accountant General when he states that the procedure which was adopted resulted in the Railway paying for the property far more than its actual value. In the first place if he is basing his remark on the estimate of Rs. 60,000 said to have been supplied by the Civil Authorities in 1923, I am of opinion that there must be some mistake as this price represents only Rs. 50 per cottah which in my opinion is far below the market value of land of this class at Nagpur at the date of acquisition. The value of the land taken in the estimate represents Rs. 116 per cottah which is a fair and reasonable figure.”

“ As regards point No. 2, I am unable to trace how the Accountant General arrived at the figure of Rs. 98,072 which he states was a net loss on the property.”

“ As regards the second portion of this paragraph the division of the Rs. 1,75,000 in the original estimate was made some time prior to the property coming into the possession of the Railway and it was only after the property had been handed over that it was possible to dismantle the roofs and thoroughly examine the condition of the buildings. ....”

“ As regards point No. 3, I am unable to trace the remarks, mentioned by the Accountant General, that there was no particular necessity for the bungalows on the ridge. The facts of the case are that as soon as the bungalows were completely renovated one of them was occupied but while arrangements were being made to occupy the other bungalow I was approached by the Agent, Great Indian Peninsula Railway for the lease of the bungalow

to that Railway for the use of their Resident Engineer. This I agreed to do pending the completion of negotiations for the sale of the Takli bungalows mentioned in paragraph 2 of the enclosure to this office letter No. 14743, dated 2nd August 1922. These bungalows have now been sold and the ones on the Ridge occupied by officials of this Railway."

*Mr. Neogy.*—Are such instances of departure from the normal land acquisition procedure common in the railways? What is the policy of the Railway Board in this matter.

*Mr. Rau.*—The policy is that ordinarily the rule should be observed.

*Mr. Neogy.*—And that land should as a matter of rule be acquired only through the civil departments?

*Mr. Rau.*—Quite so, unless of course you find in any particular case that it would be more economical to buy by private negotiation.

*Mr. Neogy.*—What in your opinion should be the status of the officers who should decide this particular point—as to whether an informal sort of procedure should be followed?

*Mr. Rau.*—I take it that if informal procedure is adopted and a man negotiates privately, he should take the orders of the Chief Engineer. I would not allow anybody to do it except the Chief Engineer.

*Sir Frederic Gauntlett.*—I think the answer to that question is contained in the first five lines of the paragraph. These estimates were sanctioned by the Railway Board itself and I am afraid the Railway Board has to saddle the responsibility.

*Maulvi Mohammad Yakub.*—What steps have you taken against this man?

*Mr. Rau.*—We shall probably ask the Agent to consider disciplinary action.

*Maulvi Mohammad Yakub.*—You have not yet asked him?

*Mr. Rau.*—I have not taken final action in any of these cases yet.

*Mr. Roy.*—Have you got any standard rules of any kind regulating the purchase and acquisition of properties by the railways?

*Mr. Rau.*—There are definite land acquisition rules.

*Mr. Roy.*—Are there any special set of instructions given to the Agents by the Railway Board?

*Mr. Rau.*—I think there are rules on the point.

*Mr. Neogy.*—In this particular case, when they asked for your sanction, why did you inform them that they could purchase this land without going through the usual procedure?

*Mr. Rau.*—I could not say that.

*Chairman.*—I think we would like to have some more information about this. The difficulty of taking disciplinary action in this case is increased by

the fact that as far as the purchase of the land was concerned it was sanctioned by the Railway Board.

*Kumar Ganganand Sinha.*—Were you aware of the facts mentioned in point (iii) at page 90 ?

*Mr. Rau.*—We were not aware of the facts mentioned in (ii) and (iii) when the case came to us.

*Chairman.*—It seems to me that the responsibility for the departure from the usual procedure lies with the Railway Board and we should like to know in what circumstances they sanctioned it. We do not know who the officer responsible was or whether any action was taken against him. Nothing that you have told us has thrown any light on this matter.

*Mr. Rau.*—With regard to the circumstances in which the sanction of the Railway Board was given I have not got the papers with me just at present, but if you will kindly give me time till the afternoon I hope I will be able to explain. I must have papers about it in the office.

*Kumar Ganganand Sinha.*—The most serious thing is contained in point (iii).

*Mr. Rau.*—I understand that the bungalows are occupied now. As soon as the bungalows were completely renovated one of them was occupied while the other was made over to the G. I.P. Railway for occupation by their officers.

*Colonel Gidney.*—When did you come to know of this incident ?

*Mr. Rau.*—Last year.

*Colonel Gidney.*—And this happened in 1925 ?

*Mr. Rau.*—No, in 1922.

*Sir Frederic Gauntlett.*—I suggest that the responsibility rests with the Railway Board unless they can show that there was deliberate misrepresentation of the facts on which sanction was obtained.

*Mr. Rau.*—I would prefer to answer these questions in the afternoon.

*Mr. Burdon.*—I would just like to say one word about this matter. In recent years the Army Department have drawn up a most elaborate and modern set of rules which regulate the acquisition, custody and relinquishment of State lands by the military authorities : and in these rules, amongst other things, the point that Mr. Neogy has taken has been very carefully covered, that is, the status of the officer has been described who is authorised to undertake land acquisition proceedings. I suggest that it might be of advantage to the Financial Commissioner to have a look at those rules.

*Mr. Das.*—It is not a case only of punishing the officer through whom so much money was lost, but if a company-managed railway incurs extra expenditure by not observing the rules sanctioned by the Railway Board, then that sum would be debited to the share of the surplus profit of the company-managed railway.

*Chairman.*—I think we will postpone consideration of that case now.

*Mr. Shervani.*—I should like to know the dates when the sanction was given and when the matter was referred to the civil authorities.

*Mr. Rau.*—I will give the information in the afternoon.

752. *Mr. Rau.*—*Item 11—page 90.*—As was explained by Mr. Parsons last year, the Chief Engineer who objected was the Chief Engineer of the Burma Railways which was not a member of the Group. The railways who formed the Group thought that a long-term contract was desirable because it was difficult to get sleepers cheaply from Burma unless at least a three years contract was given. The firm of contractors had fulfilled previous contracts to the satisfaction of the three railways who were parties to the contract.

2. As desired by the Committee last year, I have tried to obtain further information from the Chief Engineer of the Bengal Nagpur Railway who is the President of the Eastern Group of Sleeper Control as constituted at present. I should make it clear that the fraud was committed long before the present President (Mr. Alexander) joined the Bengal Nagpur Railway and before the formation of the present sleeper control.

3. It has been explained by the President that the contracts in question provided for delivery of passed sleepers, c. i. f. Calcutta, and the Contractor had therefore to retain possession of the sleepers that had been passed until he despatched them to Calcutta. I do not agree with this because I could see nothing in the contract to justify the contention that the contractor had to retain possession of the sleepers that had been passed until he despatched them to Calcutta. This has been thought to follow from the fact that the rate charged by him was for delivery at Calcutta and was inclusive of the cost of moving the sleepers to Rangoon, transshipping them to steamers at Rangoon, sea freight and insurance to Calcutta, but there is no reason why the Railway should have handed back the passed sleepers to the contractor which might be taken as showing a want of ordinary prudence. They should have arranged for the despatch charging the contractor the actual cost on an agreed basis. But on the other hand there is the fact that there was no reason at the commencement to suspect the contractor who had fulfilled previous contracts in a satisfactory manner. The President goes on to say that the fraud could not be attributed to any clause in the contract connected with shipment but entirely to the fact that a fraudulent contractor removed passing brands from sleepers that had been passed and put these sleepers up again and again for inspection, and in the meanwhile despatched other unpassed sleepers with fraudulent brands to make up the number that were actually passed, and the officers who were inspecting and passing these sleepers were officers of the Burma Railways who had their other normal duties to perform and were passing sleepers in their spare time only. They could not therefore reasonably be expected to devote sufficient time and attention to detect a then unsuspected fraud. These officers left the service of the Burma Railways some years ago and before the fraud came to light.

4. It is understood that a fraud of some kind was suspected when continuous adverse reports on the quality of the sleepers which were delivered as passed were received from consignees. The exact date when suspicion was aroused cannot be stated now but is placed about December 1921 when

payment of the contractor's bills was suspended. Reports of bad sleepers were first received in August 1921 and continued to be received up to February 1922. Proof strong enough to lay a criminal suit was not however found till about the middle of 1923 though in the meantime, and since the formation of the sleeper control in February 1922 and the appointment of a whole-time passing officer in Bu ma the quality of the sleepers was greatly improved because the contractor found that a careful watch was being kept on deliveries at both ports.

5. After careful investigation the Railway Board have come to the conclusion that no further action at present is likely to be of any use.

*Mr. Neogy.*—May I know why is it that this case came to light in connection with the Bengal Nagpur accounts ? The Agents of the Sleeper Pool arrangement in this particular matter were the Burma Railways.

*Mr. Rau.*—They acted as agents of the Sleeper Control system and the President of the Sleeper Control was the Chief Engineer of the Bengal Nagpur Railway. This is not a Bengal Nagpur Railway fraud at all.

*Sir Frederic Gauntlett.*—It is a fraud on the whole pool.

*Mr. Rau.*—The people primarily responsible were the Burma Railway people who were employed by the Sleeper Control.

*Mr. Neogy.*—Under the present pool system, the purchasing system need not be interested in the purchase at all. Is that not so ? In this particular case, for instance, although the Burma Railways were acting as agents for the entire pool system, they were not interested in it ? And therefore you cannot expect a particular railway which is not interested in the purchase to exercise that amount of control which is necessary in such cases ? From that point of view is not the whole system defective ?

*Mr. Rau.*—The present system is quite different.

*Sir Frederic Gauntlett.*—But surely, Mr. Rau, if the Railway act as agents they are paid for the work ?

*Mr. Rau.*—I think the officers who did the work in their spare time must have been paid for it.

*Chairman.*—Will you please tell us what exactly the present system is ?

*Mr. Rau.*—I understand there are five sleeper groups at present—the northern, the central, Terai, eastern and southern : the sleepers are purchased by each group ; there is a conference of the railways concerned and so many sleepers are allotted to the different railways every year by the Railway Board in consultation with the members of the various groups ; the groups have contracts with various firms and Indian states and in some cases the sleepers are obtained from Government forests ; and the sleepers are tested mostly by the forest officers.

*Mr. Neogy.*—But what difference has there been in the system in order to ensure greater control in these matters in future ?

*Mr. Rau.*—Each group buys its own sleepers and arranges for its own testing.

*Mr. Neogy.*—What is the machinery for testing ?

*Mr. Rau.*—Mostly the forest officers of the local governments ; they know the requirements of the railways.

*Mr. Neogy.*—But how do you safeguard against such frauds ?

*Mr. Rau.*—Once the sleeper is tested and passed, I believe it goes into the custody of the railway group which supervises that process on behalf of the railways.

*Maulvi Abdul Matin Chaudhury.*—Are the railways directly represented at that place where the sleepers are passed or do you depend merely on the provincial officers who are not directly responsible ?

*Mr. Rau.*—So far as the testing goes, we depend on the forest officers ; after that it must come into our custody.

*Chairman.*—Mr. Neogy's point is this : there are two things : first of all, bad sleepers ; and secondly, sleepers that might have been passed being subsequently tampered with, as in the present case. As regards the first, the forest officer passes the sleepers and at once they are taken over by the railways ; now, who is responsible for ensuring that nothing but the good sleepers which have been passed are allowed on to the railway and sent off to their destinations ? Is it the agent for the group who takes delivery of the sleepers and sees to their despatch or does the group employ the railway management that happens to be there on the spot ?

*Sir Frederic Gauntlett.*—Does the sleeper pass into the store account and if so, at what point ?

*Chairman.*—I do not think that will quite answer the point: it may be some time before it passes into the store account of individual railways.

*Mr. Neogy.*—Is delivery taken on behalf of the pool or on behalf of the individual railways *pro rata* ?

*Mr. Rau.*—I could not tell you exactly what is the detailed procedure, but I can get you the information and place a memorandum before the Committee on that point.

*Chairman.*—I think we shall have to be satisfied with that at present.

*Mr. Roy.*—There are two questions : one is, a standard set of rules for sleepers purchase and the other, public tenders.

*Mr. Rau.*—Yes, and the exact procedure by which sleepers are taken over by the railways.

*Maulvi Mohammad Yakub.*—Are you not replacing these wooden sleepers by iron sleepers ?

*Mr. Rau.*—As a matter of fact we are using all three, wooden, steel and cast iron.

*Sir Frederic Gauntlett.*—Might I raise a general point ? There should be particular scrutiny of the *bona fides* of contractors to whom such very large and important contracts are entrusted. We have the fact here that the Agent of the Burma Railways warned the Pool that the man was unsatisfactory.



*Mr. Rau.*—But I understand that the firm had fulfilled previous contracts to the satisfaction of the railways who were parties to the contract.

*Sir Frederic Gauntlett.*—I would merely say to that that the man on the spot probably had more intimate and detailed knowledge than the railways had in India.

*Mr. Rau.*—Then he was doubly to blame for not taking more effective precautions against bad sleepers passing.

*Mr. Shervani.*—Is any security system in force so far as these contractors are concerned ?

*Mr. Rau.*—The usual security is taken. I think it is 5 per cent. but I am not quite sure ; I do not know whether it was taken in this particular case.

*Mr. Mitra.*—That it was not taken is clear because the amount could not be recovered.

*Chairman.*—I think we might ask you to put in the reasons why security was not taken in the present case and also the present rules on the subject.

**Evidence taken at the fourteenth meeting of the Public  
Accounts Committee held on Thursday, the 22nd  
August 1929, at 2-15 p. m.**

PRESENT :

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| <p>(1) The Hon'ble Sir GEORGE SCHUSTER, <i>Chairman</i>,</p> <p>(2) Mr. T. A. K. SHERVANI,</p> <p>(3) Mr. B. DAS,</p> <p>(4) Mr. S. C. MITRA,</p> <p>(5) Kumar GANGANAND SINHA,</p> <p>(6) Maulvi ABDUL MATIN CHAUDHURY,</p> <p>(7) Mr. K. C. NEOGY,</p> <p>(8) Maulvi MOHAMMAD YAKUB,</p> <p>(9) Lieutenant-Colonel H. A. J. GIDNEY,</p> <p>(10) Mr. K. C. ROY,</p> <p>(11) Sir FREDERIC GAUNTLETT, Auditor General,</p> <p>(12) The Honourable Mr. E. BURDON, Financial Secretary,</p> <p>(13) Mr. G. KAULA, Director of Railway Audit,</p> <p>(14) Mr. B. NEHRU, Deputy Auditor General,</p> <p>Mr. P. R. RAU, Financial Commissioner, Railways,</p> <p>Mr. W. H. SCOTT, Controller of Railway Accounts,</p> <p>Mr. J. A. TOWER, Director of Finance, Railways,</p> | <p style="font-size: 4em;">}</p> <p style="font-size: 4em;">}</p> <p style="font-size: 4em;">}</p> <p style="font-size: 4em;">}</p> | <p><i>Members.</i></p> <p><i>Were also present.</i></p> <p><i>Witnesses.</i></p> |
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753. *Mr. Rau.*—*Item 12, Page 91.*—I can say that now particular care is taken to see that new items of rolling stock are provided for as additions over renewals when similar stock has been condemned as unfit for renewals. The Railway Board's policy in this matter was stated by Sir Clement Hindley in 1924-25 that renewals should take precedence over additions. I might perhaps explain to the Committee that we were not so very careful about the precedence of renewals over additions before. The question was more one of funds. I understand,—of course I was not at the time in the Railway Board—that the Railway Board every time considered whether it was more expedient to charge a particular item of rolling stock as an addition or as a renewal. It all depended on whether they had a larger grant for programme revenue or for capital. They were anxious that the traffic should be carried and that the workshops should be kept fully occupied. That was the old arrangement, but after the separation when we got a depreciation fund which provides for all renewals, we can insist that every item of rolling stock which has been scrapped and condemned as unfit for use should be first replaced, and it is only after every such item is replaced that additions should be sanctioned.

*Chairman.*—I don't quite see how the separation has affected the Bengal Nagpur Railway?

*Mr. Rau.*—We have got plenty of money under the depreciation fund so far as Government funds are concerned. The point is, there are funds at our disposal and we can provide the money, though, so far as they are concerned, it goes from their revenue; we have got the money for it.

*Chairman.*—On what basis do you calculate the working expenses ?

*Mr. Rau.*—That has remained the same as in the past ; there has been no change whatever. But formerly it sometimes happened that we had to provide the whole money for programme revenue for all Railways for renewals and replacements. Whenever revenue grant was particularly tight and we had more funds under Capital, then it was considered expedient to take it as an addition.

*Chairman.*—This was done to suit the Government ?

*Mr. Rau.*—That was the practice in the old days.

*Mr. Neogy.*—Which period are you referring to ?

*Mr. Rau.*—A long time before the separation came into force, I understand, that was the practice.

*Chairman.*—I thought that was to the detriment of the Government under the terms of the agreement ?

*Mr. Rau.*—That is so, Sir.

*Chairman.*—Why did the Government arrange the thing to be done to its own detriment ?

*Mr. Rau.*—I understand that was because they could not find the money from revenue.

*Mr. Neogy.*—This raises a very big question. It will be remembered that the question of replacements and renewals was gone into by the Acworth Committee, and in paragraphs 70 and 71 they had to deal with this question. They say that “during the later war years a good deal of replacements and renewals which normally ought to have been provided out of the revenues were allowed to remain in abeyance . . . . . The direct result of that was that, so far as the company-managed Railways were concerned, their profits got inflated unnaturally and a portion of that was distributed as dividend or rather surplus profits as between the Government and the company. Now, dealing with this question the Acworth Committee observed that the Great War is an explanation and not an excuse for many of the practices. Later on they observe that the policy of undue postponement . . . . . and not merely the exigencies of the war period . . . . .”, and this observation relates not merely to Company lines but to State lines as well. What happened in the past was that in the financial exigencies of the Government of India, they used to defer these very necessary items of expenditure for the purpose of enabling the Finance Member to appropriate for purposes of the general revenues as much out of the Railways as possible, and this was one of the main defects which the scheme of separation was intended to remove.

*Chairman.*—I was dealing really with a particular case of company-owned line which works under a contract with the Government. I should like to know whether the shareholders benefit by the fact that the nett profits are made to appear larger than what they are . . . . .

*Mr. Neogy.*—As a matter of fact, we find that the company representatives were prevented by Government themselves from putting forward extra money into Reserves. They had to be distributed as profits under the orders of the Government it seems.

*Sir Frederic Gauntlett.*—Might I explain, Sir, that this paragraph merely brings the practice on the Bengal Nagpur Railway upto date. It follows on what has appeared in the Aeworth Committee Report. When the renewals or replacements became a matter of extreme urgency, then Government agreed that it should .....

*Mr. Neogy.*—A special grant of 150 crores was provided for the purpose of overtaking these renewals and replacements. That particular programme was subsequently modified.

*Sir Frederic Gauntlett.*—I should like to point out that this is a matter of very great importance, because the Railway Board has quite deliberately thrown over the principles of correct accounting in order to meet the exigencies of the ways and means position with the result that they deliberately gave the company more profits during those years.

*Mr. Rau.*—At the same time there was a larger amount available for Government shareholders.

*Mr. Mitra.*—When the time comes for the purchase of these lines, should we have to pay more?

*Mr. Rau.*—We don't have to pay more.

*Chairman.*—According to the terms of the purchase, because the property has not been kept up properly, should we have to pay more or rather should we be acquiring an asset which would be worthless than it would have been if proper principles had been followed?

*Mr. Rau.*—The contract comes to an end in 1950; there are 20 years more to run.

*Chairman.*—What are the terms of the purchase?

*Mr. Rau.*—The terms are as follows:—

“ If this contract shall be terminated (under any previous provision here, of) then at the time when the same shall so terminate the Secretary of State shall out of the revenues of India pay to the Company in sterling money in London an amount equal to so much of the sum of £3,000,000 mentioned in the 36th section of this contract as shall have been paid or satisfied by the Company in conformity with this contract and also (so much of the aggregate of such sums of money if any as shall have been paid by the Company into the Bank of England to the credit of the Secretary of State under the powers or provisions of the 38th section of this contract as shall be represented by share capital), any sum or sums which shall have been paid up or credited as paid-up on any ordinary capital of the Company issued with the sanction of the Secretary of State for the purpose of providing money required for capital expenditure on the undertaking other than any sum or sums paid by way of premiums on any such issue. Provided nevertheless that the Company shall not be entitled under this section to receive any money unless or until it shall in substance

have performed and discharged its duties and obligations under the 90th section of this contract."

*Chairman.*—We are definitely going to be worse off because this is an improper practice. Has it ever been considered that this ought to be put right?

*Mr. Rau.*—This has been put right.

*Chairman.*—We have added to the capital money which ought to have been found out of revenue?

*Mr. Rau.*—This capital is found by Government so we don't have to pay that to the company.

*Chairman.*—What about the past?

*Mr. Rau.*—So far as the distributed surplus profits go that is a dead loss.

*Sir Frederic Gauntlett.*—Sir, this is a matter which has been the subject of discussion between the Railway Board and the Auditor General, and I found some reluctance on the part of the Railway Board to accept wholeheartedly the proposition which Sir Clement Hindley put forward in 1925, and I would like the Railway Board to make quite clear their exact policy in this matter at the present moment?

*Mr. Rau.*—If I may say so, Sir, I do not think there was any reluctance on the part of the Railway Board. There was some delay, no doubt. I drafted a letter myself some time ago, which is, I believe, with the Director of Railway Audit, because there was some question about the exact procedure to be followed in the matter of checking these estimates.

754. *Kumar Ganganand Sinha.*—Please see paragraph 4 at page 92, where it is stated that the Railway Board have undertaken an examination and a final decision has not yet been arrived at?

*Mr. Rau.*—I think the B. N. Railway has accepted the position, and at the time when the programmes were considered, particular care was taken to see that there was no outstanding stock before we sanctioned additions, and even after the programme was sanctioned we made it perfectly clear when we sanctioned the programme that we sanctioned only the construction of that particular work. As to the allocation of the cost between revenue and capital, the Government Examiner or the Chief Auditor has the final voice. If he brings the matter to our notice, we will settle it.

*Mr. Neogy.*—May I put a few questions in connection with the principle? The Aeworth Committee brought this very unsatisfactory state of affairs.

*Chairman.*—If you are going to raise the question of principle as applied to the whole of the railway undertaking of allocations and depreciation, that is a thing which is now before the Sub-Committee of the Legislative Assembly. It is a matter on which I as Finance Member have been going very carefully with Mr. Rau, and I don't think that point arises out of this. This is a question between the Government and a company-owned Railway.

755. *Mr. Neogy.*—What I want to know is this. What steps have the Railway Board taken since to assure themselves that these things do not recur in future, particularly with regard to the company-owned lines? So

far as the war period is concerned, of course, the Government themselves are a party to this malpractice, if I may use that term, but we find that even in the accounts for this year the position in the B. N. Railway, is very very unsatisfactory from this particular point. So what I want to know is, what check did the Railway Board exercise to see that the whole of the undertaking was kept up to the mark all these years ?

*Mr. Rau.*—This was a special thing. The matter was brought to our notice before this Report appeared by the Accountant General for Railways some time in 1926. Since then I think we have been particularly careful. In 1927 we had a special meeting with the Managing Director and Agent of the B. N. Railway, and I think we have come to an understanding with them.

*Mr. Neogy.*—Did the Railway Board ever depute an officer of its own to find out the real state of affairs ?

*Mr. Rau.*—We have an officer on the spot, the Government Examiner of Accounts.

*Mr. Neogy.*—What about the technical aspect of the examination, who is to see whether the stock is kept in good condition and such like things ?

*Mr. Rau.*—There is the Senior Government Inspector who goes over the line.

*Mr. Neogy.*—Is not the staff at his disposal adequate enough ?

*Mr. Rau.*—I don't think that the Railway Board ever made special arrangements for the inspection of the B. N. Railway.

*Mr. Neogy.*—This particular Note refers to certain things that have been condemned—by whom ? Did the Acworth Committee condemn them ?

*Mr. Rau.*—No, they must have been condemned by the Administration.

*Mr. Neogy.*—Is there any record kept in the Railway Board to show what the activities of the Government Inspector were so far as the B. N. Railway stock was concerned ?

*Mr. Rau.*—I must have notice of that question.

*Chairman.*—Can you tell us this. If for a number of years insufficient allocation for renewals has been made from revenue, the chances are that the total value of the assets would have dropped down considerably below that of the nominal capital, and supposing we had an examination on valuation of the B. N. Railway undertaking, do you think that we shall find that the total value of the assets was very appreciably below the nominal capital which we have got to pay when we take the Railway over ?

*Mr. Rau.*—It is just possible that at this particular moment it might be so, but within the next 20 years we hope to set matters right. Formerly the amount that was set apart by the B. N. Railway for renewals and replacements was in the neighbourhood of 30 and 50 lakhs. This year they are providing 200 lakhs from revenue. Another thing we have to remember is that we guarantee them a return of  $3\frac{1}{2}$  per cent. on their capital. It might happen, if we go on at a too rapid pace in this matter, we might have to bear the cost of the renewals under our guarantee.

*Chairman.*—What happens when we take over the Railway? Would we recover anything?

*Mr. Rau.*—We will have to pay them only their share capital.

1756. *Mr. Das.*—I want to put a few questions and I should like to go back to the period before the separation. What control did the Railway Board exercise to see that the taxpayer did not lose money and the B. N. Railway did not derive a large share of the surplus profits by charging these items to the Capital account?

*Mr. Rau.*—To the best of my recollection the separation was sanctioned in 1924. This matter was brought to notice in 1926, and I think, that in July 1927 the Railway Board told the Agent of the B. N. Railway definitely that we would not agree to additions while there was stock that was awaiting renewal.

*Mr. Das.*—You are now laying the whole blame on the Government Examiner of Accounts? You had no machinery to properly control the Company-managed Railways?

*Mr. Rau.*—It must have been due to the fact that the staff of the Government Examiner of Railways was inadequate.

*Mr. Das.*—Apparently the Railway Board had no other machinery. What was your Budget officer doing?

*Mr. Rau.*—If the allocation is agreed upon between the Agent and the Government Examiner, that is accepted by the Railway Board. We do not go into allocation at all.

*Mr. Das.*—What was your Budget Officer doing? He allowed sums which were to be debited to replacement account to Capital?

*Mr. Rau.*—The Budget Officer does not allow anything at all; he cannot do anything of the sort.

*Chairman.*—Don't you go into the question of allocation when the Budget estimates are prepared?

*Mr. Rau.*—No; at the time of considering the programmes. We have now got special machinery by which we get information from all Railways as to the rolling stock on the lines, how much of it is over 35 years old, what is the proportion awaiting renewals and so on, and we check that information with the proposals of the Agents for additional rolling stock. We are gradually improving our system.

*Chairman.*—Would your Budget Officer now be able to check this form of appropriation at the time when the Budget estimates come in?

*Mr. Rau.*—Not the Budget Officer. When the Board discuss the programmes with the Agents, the procedure is that the Directors of Finance and Civil Engineering as also of Mechanical Engineering go through the programmes first and bring to the notice of the Board any case in which they consider that it has not been proved that the rolling stock ought to be taken as an addition.

*Sir Frederic Gauntlett.*—May I intervene at this stage for a moment? The first time that it has been suggested that the Government Examiner of Accounts was at fault was by you about 3 or 4 minutes ago. I suggest that since you have given a complete answer which shows the exact responsibility of the Government Examiner, the responsibility ultimately comes back to the Railway Board. The point is this. The accounting authorities are responsible for allocation on the facts presented to them, and the fact presented to the Government Examiner in the first place was that these were additions and therefore they had to be met from Capital. It is only because we have gradually come to the view that the orders passed by the Railway Board are not correct that we have challenged the attitude which the Railway Board had been adopting in this matter?

*Mr. Rau.*—The question was raised on the B. & C. I. Railway last year. We told them that because a particular item had been put in as an addition in the rolling stock programme it was not conclusive evidence that the Railway Board approved it as an addition. As regards the allocation it was still entirely at the discretion of the Accounts Department to challenge any particular allocation.

*Sir Frederic Gauntlett.*—That was not the position before.

*Chairman.*—Talking about the question of allocation, can you insist on the Company-owned Railways following the same principles as regards what is charged to depreciation and what is charged to new Capital as we propose to adopt on the State-managed Railways?

*Mr. Rau.*—These proposals are already in force in Company-managed Railways.

*Mr. Kaula.*—Since something has been said about the Government Examiner of Accounts, I should like to explain what the duty of the Audit is. The facts are presented to the Audit in two ways. Annually the Railway Board indicate after considering the programme proposals how much should be considered as additional stock and how much as renewals. Then secondly the annual statements are furnished locally by the Railway Administrations giving the number of wagons of each class in existence, the number to be added to, the number to be removed and declared as surplus and so on. The Audit Department has no voice in the examination of the statements which are prepared by the Statistical Department. Recently at a meeting which assembled here under the order of the Railway Board it came to light that although those statements had issued under the signature of the Accounts Officer, that officer accepted no responsibility. This is the kind of facts on which the Audit is conducted.

*Mr. Scott.*—I think the whole facts of the case should be available to the Audit Officers. If all the papers and facts are placed before the Government Examiner, he will be much more responsible for the allocation than at present.

*Sir Frederic Gauntlett.*—But the fundamental position still remains that allocation ultimately must be based on the facts as presented to the Government



Examiner. Whether he should be given all the papers and allowed to determine what are the facts or whether he should rely upon the certificates obtained from other people is a matter which we shall have to consider in detail.

*Mr. Scott.*—In connection with what Mr. Kaula just said, I do not think any Government Examiner or any Chief Auditor of Government would accept the programme as sanctioned by the Railway Board as authority for final allocation. In any case, the whole facts of the case should be available to the Audit Officers.

*Chairman.*—It is very helpful to see whether in fact the Audit can rely on certain statements or decisions or rulings of the Railway Board as the basis or whether they can go back altogether behind them. At any rate, the Railway Board's ruling is not a fact. It is a decision to proceed in a certain way.

*Sir Frederic Gauntlett.*—The difficulty arises usually when one particular form of vehicle is being replaced by another of a somewhat different type.

*Chairman.*—But the question really is, do the Audit Officers get an opportunity to get at the real facts? Mr. Kaula is suggesting that they do not?

*Sir Frederic Gauntlett.*—I think that the Government Examiner should make a detailed investigation of every single allocation that comes before him.....

*Mr. Rau.*—Our programmes for 1930-31 are settled by the Railway Board in February or March 1929 on the best information available at the time. Between the time the programmes are carried into execution and the time they are sanctioned, so many things might happen, and it would be absolutely impossible to adhere to the programme. That is why when the suggestion was raised last year we definitely stated that the programme was not to be taken as definite. We have no further check on our Budget. We leave it entirely to the Accounts Officers.

*Mr. Das.*—When your Budget Officer makes your Budget, does he not charge a particular item in respect of a locomotive, let us say, on a particular Railway to revenue?

*Mr. Rau.*—Yes, it is based on the programme as passed by the Railway Board.

*Chairman.*—Do you mean to say that the programme for 1930-31 is already made up? It was settled in March in a conference with the Agents. It was placed before the Standing Finance Committee in July.

*Sir Frederic Gauntlett.*—I suggest that from the statement that Mr. Rau has just made it is quite clear that one of the most important duties of the Government Examiner in future will be to make a reasoned review of the whole of the renewals made in each year—do it annually—make a thorough review of the whole situation at least once a year.

*Mr. Rau.*—We should be very glad if you would do it. We are as anxious as the Auditor General to see that the allocation is correct.

*Sir Frederic Gauntlett.*—It would follow that all the papers would have to be available. I think the Railway Board should realise their responsibility for the

accuracy of the statement published by the B. N. Railway. We take no part in the production of these statements and the Railway Board should supervise the preparation of these. If they do that, the audit will be fair : not otherwise.

*Chairman.*—I must say I entirely agree with what Sir Frederic said that we ought to ensure that no inaccurate appropriations are made but I think the Government Examiner ought to be able to rely on the Railway Board's statement to a greater extent than appears to be justifiable, if it is prepared in the way that Mr. Rau has just described to us. If the programme for 1930-31 is settled in March 1929 on the basis of information supplied in December 1928 and you make no attempt before the beginning of the financial year 1930-31 to revise it, it seems to me that it may be entirely inaccurate.

*Mr. Rau.*—Orders are placed for most of the materials we require some time in August. That is the special reason why we take the rolling stock programme much earlier.

*Chairman.*—Then at the time the orders are placed, it can be revised again. It was you who were telling us these facts as an excuse for the statement not being accurate. You were calling our attention to the big difference in time between 1928-29 when the information was collected and 1930-31 when the programme is to be carried out. Now you have reduced the difference very much.

*Mr. Rau.*—The programmes are discussed in March and the Railway Board makes some alterations. The Agents send a revised programme which is placed before the Standing Finance Committee some time in July and immediately the Committee has approved the proposals we call for tenders or place orders.

*Mr. Shervani.*—I wanted to know whether from the records you have you can ascertain the age and the original price of the old rolling stock.

*Mr. Rau.*—Not the original price. Our programme must show the age—how many locomotives are under and how many over 35 years old. The original price will be in the records of the Railways themselves—not of the Railway Board.

*Mr. Shervani.*—But you can ascertain ?

*Mr. Rau.*—Oh yes. Otherwise they can't fix the allocation.

*Mr. Shervani.*—Because in the case of the Post and Telegraphs it was not possible.

*Mr. Das.*—Sir, I am not satisfied that the Budget Officer of the Railway Board has done his duty in placing the particular orders of wagons in the capital and revenue charges at the time of presentation of the budget in the Assembly. There are different heads and the budget officer ought to say so many wagons on the B. & N. Railway will be purchased on the revenue account, so many on the capital account, and on that allocation the Government Examiner of Accounts will examine the accounts.

*Sir Frederic Gauntlett.*—I do support Mr. Das in this, Sir. It seems to me that it would be quite impossible that the Railway Board should absolve itself of responsibility as to whether a particular order for wagons is or is not a

renewal or a replacement; whether it is to be regarded as an addition or merely as a replacement. I do not see how the Railway Board can possibly absolve itself of that responsibility. And it then follows, as Mr. Das points out, that it becomes the responsibility of the Budget Officer to make a fairly accurate estimate as to the amount that is to be provided on the revenue and the capital side of the Budget.

*Mr. Rau.*—I am afraid, I have not expressed myself quite clearly on the point. What I am pointing out is that the Railway Board does take the primary responsibility in drafting a programme and saying so many shall be renewals and so many additions, but between the time that approval is given and the time the stock is actually delivered and placed on the line circumstances might change. There might be a smaller or larger number of wagons that have been scrapped and condemned and treated as awaiting renewal. And the allocation of particular carriages and wagons must depend on the particular facts at the time.

*Sir Frederic Gauntlett.*—I agree.

*Mr. Rau.*—So I would not say that this responsibility for the Budget is either of the Government Examiner or of the Railway Board but joint. The fact that the Railway Board have approved an item as an addition is not conclusive proof, or such that audit ought not to challenge it.

*Sir Frederic Gauntlett.*—But do you not have an opportunity of revising your differentiation between additions and renewals some time during the year?

*Mr. Rau.*—You will have to have fresh statements from the Railways every three months. And even if we revise it at the time of the Budget, that would be on facts for say December 1929, for 1930-31. But even this would not be correct. I would still place on the Government Examiner the responsibility of seeing that at the time his stock is taken the figures are revised.

*Sir Frederic Gauntlett.*—I would still accept the final responsibility provided you accept the initial responsibility.

*Mr. Rau.*—The initial responsibility is the Railway Board's.

757. *Chairman.*—There is an important point involved. I am looking at it from this point of view of the Legislative Assembly when the Railway Budget is put before it. It seems to me that the Legislative Assembly gets presented with a picture which, on Mr. Rau's showing, is already out-of-date. Not only is it a picture out of date but it represents a commitment which has already been undertaken. If the Legislative Assembly chose to say: Well, we are short of money and too much of the Government ways and means position is being allocated to Railways: we want to cut down new expenditure. I do not say it would be a reasonable thing for the Legislative Assembly to interfere on a point like that but still, theoretically, they have got the power to do so at present. Then the Railway Board may turn round and say: I am very sorry, the orders for these locomotives were placed in August and you cannot stop it.

*Mr. Rau.*—That is so. And this position has been placed before the Standing Finance Committee because they approved the rules under which

we issued these indents for the approval of the Legislative Assembly. And I think this has been discussed in the Assembly at least once. Under the present system, we have to take the risk of the Assembly not voting the grants.

*Chairman.*—It seems to me you ought at least to make an endeavour to put an accurate picture before the Assembly and for that purpose your estimates could be brought up to date. They need not be based on an allocation that was made in February of the preceding year. You must know more about the position then—how much represents renewals and how much represents new capital expenditure.

*Mr. Rau.*—Taking the Railways as a whole I do not know that there would be much difference but we can try to get later information of the rolling-stock just at the time we prepare the Budget. I think we could get information up to October 1928 as regards allocation.

*Chairman.*—But that would mean that the Government Examiners would get much more assistance from the statement for which the Railway Board are responsible than they do at present. It seems to me they get very little assistance. The Government Examiners ought to open a statement of the various stock that the Railway itself prepares and they will bring to the notice of the Railway Board any statement in which the facts have been deliberately falsified.

*Mr. Kaula.*—That is not the basis on which we conduct audit. We do not wait until mistakes are discovered. We do not assume that anything is correct.

*Mr. Frederic Gauntlett.*—You suggest, Mr. Kaula, that it is part of the Government Inspector's duties to satisfy himself as to the correctness of the statement?

*Mr. Kaula.*—That is so.

758. *Mr. Roy.*—Do I understand that the Railway Board keeps no control over the rolling-stock?

*Mr. Rau.*—In what way?

*Mr. Roy.*—That the Inspector of Government Railways never inspects it?

*Mr. Rau.*—He does.

*Mr. Roy.*—And has any Member been round to inspect the Bengal Nagpur stock?

*Mr. Rau.*—Well, Members go often.

*Mr. Roy.*—I know you went in April—but before that did any technical Member visit the B. N. Railway?

*Mr. Rau.*—All the Members tour round now a great deal more.

*Mr. Roy.*—I am only asking a question of fact. Do the Inspectors of the Railway Board at any time inspect?

*Mr. Rau.*—Well, the technical Member of the Railway Board was recently at Calcutta—he is doing a long tour now and is at present in Bombay. He has been on tour since the 17th of last month.

*Mr. Roy.*—After all these allegations of the Auditor General, has any exhaustive inquiry been made by any responsible Member of the Railway Board into the whole thing ? They are serious allegations.

*Mr. Rau.*—I went down in connection with Accounts matters myself.

*Chairman.*—Well, as regards the rolling-stock, Mr. Rau has already answered that question. There has been no outside investigation of the rolling-stock position or the position of the whole of the capital assets on the Bengal Nagpur Railway. Mr. Rau indicated that at present it is quite likely that the value is below the nominal capital.

*Mr. Rau.*—But I could not say anything definite on that.

*Chairman.*—I do not know that we should gain anything now from conducting such an inspection. What we have got to do is to satisfy ourselves that a sufficient allocation is being made every year from revenue to depreciation.

759. *Sir Frederic Gauntlett.*—My primary object in raising this question was to get the Government of India back to the fundamental principles of allocation which were laid down by Sir Charles Wood in 1864 and we only departed from it after the war owing to the very special pressure upon Government finances. Now Sir Arthur Dickinson has suggested that we should go back to these principles of allocation. My whole point in this, of course, is to say that the allocation as between capital and revenue must be determined by fundamental principles and not with reference to the Budgetary situation at the moment.

*Chairman.*—Sir Frederic, I think the point is not so much that. It is how much shall be charged up to the depreciation fund which is being built up at a regular rate every year and how much to capital. It won't affect the allocation made every year. The question we are considering now won't in the least affect the allocation we make every year from revenue. The question of how much is to be charged against that depreciation fund and how much is to be charged against capital, does not affect the position as between capital and revenue at all.

*Mr. Das.*—I only wanted to help the Auditor General and his staff. I want to allocate the responsibility for the allocation on the officers of the Railway Board at the time of the Conference.

*Sir Frederic Gauntlett.*—Well, we are quite agreed that it must be a mutual responsibility. I am quite satisfied with that position. I would only mention that since Sir Clement Hindley laid down a very sound principle in 1925 it is within my knowledge that the Railway Board has on two or three occasions departed from it and it was only when I again called attention to the principle laid down in September 1925 that the Railway Board finally agreed to accept it as correct.

*Chairman.*—But Mr. Rau, do you admit that the Railway Board has departed from any principle laid down in 1925 ?

*Mr. Rau.*—I don't know, Sir, I should have to look up the papers. But the Railway Board as at present constituted fully accept that principle.

*Chairman.*—Well, now, I think, as far as the present discussion goes, we cannot carry it very much further than to say this, that at the time when the Budget estimates are prepared, an attempt should be made to bring up to date the allocation as between new capital expenditure and renewals. And I understand Mr. Rau to say that something could be done to make it more up to date than is done according to your present practice. You cannot make it up to date to a week before the presentation, on information supplied three months before that. But in that case the Budget estimates will provide the Government Examiners with a more reliable guide than they get at present. And the Railway Board will be responsible for the Budget and responsible for making it as accurate as possible at the time. When it actually comes to allocating the wagons which have been ordered in the preceding August, there may have to be some adjustments.

*Mr. Rau.*—But in any case I would not make the Budget authoritative. The Government Examiner must not take it as final.

*Chairman.*—No, you might have a big fire. 200 wagons you have ordered may have to be used for replacement. Obviously that sort of thing must happen. But at the same time, when the Budget is prepared it ought to be up to date. Can we go any further than that? It still leaves—it is bound to leave—the responsibility on the Government Examiner for checking things in accordance with what actually happens.

*Sir Frederic Gauntlett.*—I fully accept the responsibility. I entirely endorse the view that no tentative orders or temporary allocation should be regarded as final. The final allocation must be made by the Government Examiner with all the facts before him. If the Railway Board makes a statement that a particular wagon is to be regarded as an addition rather than as a renewal, that would be strong *prima facie* evidence but it would still be incumbent on the Examiner to conduct a close examination of all the facts in order to decide whether all that *prima facie* evidence is rebutted or not. I suggest that the Committee note with approval the action which the Railway Board has already taken. The real point is not brought out here. It is that the Railway Board was extremely lenient at one time in determining whether a new wagon was an addition or a renewal and they have agreed now to give a stricter demarcation between the two.

*Chairman.*—I mean the principle is so clear there that I do not think there can be any variation.

760. *Sir Frederic Gauntlett.*—Paragraph 13. page 92. I should like to call attention to my comment on this paragraph, "It appears from the details furnished in this paragraph that the piece-work outturn was 125 lbs. per rupee, whereas the day work outturn was 9 lbs. per rupee, *i.e.*, the piece work results were fourteen times as good."

*Mr. Rau.*—The Agent's explanation is that the figures quoted by the Accountant General are not really comparable as piece work outturn refers to repetition work while the day work outturn is the result of a more complicated work entrusted to more skilled labour. The explanation of the Administration suggested, however, that the present system of accounting was not

really satisfactory and while I was in Calcutta I asked the Agent to go into the matter further with Mr. Humphreys, Loco Works Manager, and I have recently received a letter and a long note showing a new system of shop-costing which he had evolved in collaboration with the Production Engineer and had forwarded to the Government Examiner of Accounts for his approval.

I understand that if it is agreed to by the Government Examiner the scheme will be put into operation in the foundry in two or three months. If the Government Examiner finds that the scheme is defective he will presumably consult the Director of Railway Audit and bring the matter again to the notice of the Railway Board.

*Sir Frederic Gauntlett.*—Whenever a new change of accounting procedure like this is introduced it will always be a very important part of the work of the Government Examiner to examine the efficiency with which the system is being worked and also the nature of the results which have been obtained.

*Mr. Rau.*—That is so.

*Sir Frederic Gauntlett.*—It is perfectly true that the things are not comparable, but that the piece work outturn was 14 times as good requires very considerable explanation. Do you think that that is being efficiently administered?

*Chairman.*—Have you got any more recent figures?

*Mr. Rau.*—They have not got them yet.

*Mr. Neogy.*—Is it possible to have the experience of other Railway Workshops to assist us to understand this particular position?

*Chairman.*—I think we might ask for a note next year dealing with the working of the cost system, with any comparisons you can give us from other workshops.

*Mr. Rau.*—Very well, Sir.

*Kumar Ganganand Sinha.*—Do you agree with the Accountant General that this may be due to collusion between the day and piece workers. He says, "This may be due to (1) collusion between day and piece-workers, (2) more men in day work than necessary, (3) more highly paid men on daily work than in the piece work gang, and (4) poor outturn by day workers due to absence of supervision of control."

*Mr. Rau.*—Assuming that there is a discrepancy. But the Agent's explanation is that there is really no discrepancy, because you cannot compare the two. Piece work is merely repetition work where as the day work is done by highly skilled labour.

*Chairman.*—Why should not the highly skilled labour be put on piece work rates? What is the objection?

*Mr. Rau.*—I think the Agent told me that the question of piece work would probably be abandoned.

*Mr. Neogy.*—That is rather unpopular.

*Mr. Rau.*—That is so. It is very difficult for us to introduce the piece work and bonus system in the workshops. There is plenty of unrest.

*Chairman.*—I do not want to pursue it, but it is such a very old state of affairs that the attention of the managers should be called to these comments and you will furnish us with a more instructive report next year.

*Colonel Gidney.*—It is possibly more a case of bad management. May I refer you to the third paragraph from the last?

*Mr. Rau.*—I understand the foreman was dismissed for quite different reasons and not for this.

*Colonel Gidney.*—It is stated here, "The Superintendent, Electrical branch, Locomotive Department, admitted that there had been careless supervision on the part of the foreman and he is taking the matter up."

*Mr. Rau.*—I understand the foreman was not dismissed for this reason but for some other reason.

*Colonel Gidney.*—There is a remark about the foreman. What has happened to the Superintendent?

*Mr. Rau.*—Nobody has been punished on this account so far as I know.

*Chairman.*—It is the Superintendent's business to see that the foreman is doing his job all right. He has found that the foreman is not doing his job properly and he is taking necessary action. Now we have got to see whether the results have improved. If they have not, then you would have to come down on the Superintendent.

*Kumar Ganganand Sinha.*—You have this new method of accounting after Sir Arthur Dickinson's report?

*Mr. Rau.*—We placed a memorandum before the Standing Finance Committee for Railways. I will send a copy of that to you if you like.

*Mr. Shervani.*—Are you perfectly satisfied that the difference is not due to leakage?

*Mr. Rau.*—It might be due to faulty supervision.

*Mr. Neogy.*—That is admitted as a matter of fact.

*Mr. Rau.*—Yes.

*Mr. Neogy.*—The foreman has been censured.

*Chairman.*—The foreman I understand has been dismissed.

*Mr. Rau.*—Not for this reason.

*Chairman.*—I think as far as we are concerned on this Committee the attention of the responsible management has been called to these points and we have asked for information to be supplied to us next year to enable us to see whether the practice has been improved. I do not think we can do anything more than that at the moment.

*Mr. Shervani.*—No disciplinary action is going to be taken against anybody?



*Chairman.*—I cannot say it is a case for disciplinary action ; it is a case of bad administration, bad management. For the moment the foreman has been held responsible and that foreman has been dismissed. We now want to see whether the thing is working better.

*Mr. Shervani.*—So the foreman alone was responsible for this ?

*Chairman.*—That is the report that the foreman was to blame.

*Mr. Shervani.*—I wanted to know whether the whole responsibility lies on the foreman or on anybody else. There must be somebody supervising the whole thing.

*Chairman.*—The point is this. If action is not taken, if the foreman is not pulled up for his bad work, then, of course, the superior manager is to blame ; but if he has taken action and if they pull up the foreman or put in a new foreman, then we have got to see how things work in the future.

*Mr. Shervani.*—The figures are given for 7 or 8 months and this disproportion between the produce went on for about 7 or 8 months. There must be somebody supervising the whole business and he did not catch the thing and some responsibility rests on the shoulder of the man who was supervising the whole business.

*Chairman.*—I agree that it might be so and we could have had perhaps a fuller report before us.

*Mr. Rau.*—The report is that it is not reasonable to compare the two cases.

*Chairman.*—We admit all that, but at the same time they on their side admit that there was careless supervision on the part of the foreman. Mr. Shervani's point is that that careless supervision went on for at least 6 or 7 months and therefore the Superintendent should have found it out and taken some action before.

*Mr. Shervani.*—That is my point.

*Chairman.*—I think there is something in that point, but I do suggest that it is getting rather far from the kind of subject on which we want to concentrate on the Public Accounts Committee. All that we can say at present is that we are not satisfied with the explanation. We want to know how things are going on now. After all this goes back to 1926. We want to know how things are really going on now and the results of the new system.

761. *Chairman.*—We come now to paragraph 14 which is also specially noted by the Auditor General, the loss in departmental brick manufacture. Here a very bad project seems to have been started which it was eventually decided to close down. Somebody must have made a very bad mistake in starting that project and we should like to know who it was and what has happened to him.

*Mr. Rau.*—The present position is that the Railway has decided to re-organise the factory and to continue it as one for producing hand moulded bricks.

*Chairman.*—Here you say, “It has been decided to close down the kiln, etc., and to dispose of the machinery and buildings.”

*Mr. Rau.*—That perhaps was the intention at the time the report was written but they told me that they proposed to continue it as one for producing hand moulded bricks and that they were trying to dispose of the machinery but that it has not been found possible to sell all of it.

*Mr. Mitra.*—The contractor's rate is Rs. 14 per thousand and the only argument is that at the time of the monsoon the contractor cannot manufacture. But you can keep a stock and bricks are not a perishable thing.

*Sir Frederic Gauntlett.*—In a case like this, does not the question arise who initiated this and has any comment been made on the very unsatisfactory result of the project which he initiated?

*Mr. Rau.*—We are going to tell the B. N. Railway that this shows very bad management and I am not sure whether we shall not ask for some disciplinary action being taken against the man who started it.

*Sir Frederic Gauntlett.*—Who is the man?

*Mr. Rau.*—I think the Chief Engineer must be taken as the officer responsible.

*Chairman.*—They apparently started it relying on certain factors which were uncertain. One would like to know what was the justification for starting it. Was it very difficult to get bricks in the ordinary market?

*Mr. Rau.*—They thought they would get bricks cheaper than and superior to the ordinary bricks.

*Mr. Neogy.*—Where is this located? And the Agent was obviously not required to come up for sanction although the amount involved was Rs. 3 lakhs?

*Mr. Rau.*—If he had it in his programme he need not have come to us.

*Chairman.*—It must have been sanctioned by you?

*Mr. Rau.*—In the programme he would have said a factory and he would have explained it when he appeared before the Board. And the rule is once it is put down on the programme up to five lakhs he can sanction without coming to us again.

*Chairman.*—Before it got into the programme it must have been approved of by the Railway Board?

*Mr. Rau.*—Yes.

*Mr. Das.*—The Agents have wide financial powers which they did not have before the separation.

*Maulvi Mohammad Yakub.*—The question is one of control of the Railway Board over the Agent.

*Mr. Rau.*—If you want the explanation I can read out to the Committee the explanation of the Chief Engineer.

*Chairman.*—What we want to know is, who put up this scheme, when was it put up, when did it come before the Railway Board, what did the

Railway Board do with it when it came before them, and what action has now been taken as regards the man responsible for this.

*Sir Frederic Gavnittlett.*—I do suggest that it is very difficult to get at the truth of these matters when the officer who makes a report like that has in front of him this statement that the cost of outturn was Rs. 139 per thousand while the contractor's rate was Rs. 14 and Rs. 18 per thousand and does not make the slightest comment on it.

*Chairman.*—I do not think we ought to exaggerate the importance of an incident like this, because after all every one does commit mistakes in starting industrial undertakings and it is a very small thing in relation to the whole of the railway capital. What we want is just a short simple statement giving us the relevant facts. We do not want this long explanation. I want to know briefly who put it up, the grounds on which it was put up, and what action has been taken as the thing has turned out to be a failure. We could have all that on half a page of paper. It seems that there is a reluctance to provide straightforward answers to very simple questions.

*Mr. Rau.*—I am very sorry that that should have been your impression. I was trying to help the Committee with a summary, but I am quite prepared to give whatever information I have here.

*Chairman.*—I do not say {you are responsible, Mr. Rau. It seems that this is such a very simple case that it could have been disposed of in three minutes.

*Colonel Gidney.*—May I suggest that we have a short note giving all these cases when the Sub-Committee sits.

*Chairman.*—I want to go back to what I have said. I have had pretty good experience of industrial undertakings and starting new ventures and it is not very astounding that in a big concern like the railways there are occasions like this when calculations go wrong. I do not think we ought to say that this is evidence of something very wrong with the whole concern because these things do happen and people do commit mistakes. But, from the point of view of the man who commits it, it was a big mistake though from the point of view of the Railway Board I do not think it is, and we want to know who it was and what happened.

*Mr. Rau.*—Nothing has happened. We propose to suggest to the Railway to consider whether disciplinary action should be taken.

*Colonel Gidney.*—His intention was an honest one.

*Mr. Rau.*—His intention was very good but it was a miscalculation.

*Chairman.*—In this case where the original estimate has been so greatly exceeded, there might have been some improper expenditure and the accounts ought to be examined with a view to investigating that.

*Mr. Rau.*—As regards the increase of estimate from Rs. 2 lakhs to Rs. 4 lakhs we have got recent rules in which we insist upon the Agents coming up to the Railway Board for sanction if the difference between the original estimate put in the programme and the final estimate is more than 20 per cent. From this year we have adopted that.

*Chairman.*—There is another thing that I will suggest. When railways undertake manufacturing business of this kind which is outside their ordinary business of running the railway, a project of this kind wants very special investigation. It should not be encouraged by the Railway Board. They should be doubly careful to see that a good case has been made out. If you get an estimate costing say Rs. 5 lakhs for a siding, that is in your ordinary line of business and you will be able to do it. But if the railways want to start a brick manufacture I suggest you ought to be doubly cautious and the chances of this sort of thing happening are much greater in a case of that kind. The railways are big enough already without making bricks. This is a very dangerous tendency. I know the tendency, "We can do it better than others and let us make it ourselves." But you have got to stop that. It is very important for railways to stick to their own job and not go off on side shows of this kind. Although this is a very small incident, it is a very good illustration of the mistakes that may be committed by pursuing that tendency.

*Mr. Neogy.*—It is said that the question of adjustment of depreciation is under reference. What has been decided in this case.

*Mr. Rau.*—I do not think it has come to the Railway Board.

*Sir Frederic Gauntlett.*—There is a note here which says that the proposal of the Chief Engineer would, if accepted, involve an amount of Rs. 1,54,000 being written off to revenue.....(reads).

*Chairman.*—Before we leave this, will you produce a short report giving us all the facts?

*Mr. Rau.*—Yes.

*Colonel Gidney.*—I think the E. I. Railway has its brick manufacturing department?

*Mr. Rau.*—So far as I remember, there are some brick manufacturing departments on other railways too.

*Chairman.*—I think it is a dangerous tendency if you start concerns of that kind. In some cases the reasons may be so strong that it may be good policy to do it. Any proposition of that kind ought to be examined with double and treble care. We want to employ our capital in building railways and not in making bricks. In certain circumstances it may be worth while to make your own bricks—when you cannot get a good supply otherwise. Here obviously there was no excuse.

*Mr. Rau.*—It is the desire I suppose of an Executive Engineer to have bricks on which he could rely. We purchase a lot of bricks from the market.

\* \* \* \* \*

*Maulvi Mohammad Yakub.*—I think the Sub-Committee should consist of Mr. S. C. Mitra, Mr. Neogy and Mr. Abdul Matin Chaudhury.

*Mr. Neogy.*—I suggest that the names of Mr. Das and Colonel Gidney be added.

*Maulvi Mohammad Yakub.*—I have no objection. The Committee might elect its own Chairman.

*Kumar Ganganand Sinha.*—What about the terms of reference ?

*Chairman.*—The Sub-Committee will hold a detailed investigation of all cases that we have not been able to examine. Arising out of the investigation of these cases we want the Sub-Committee to see what lessons can be learnt.

- (1) on the question of increasing the examining staff ;
- (2) as regards altering the status of the Companies' auditors. We should see whether it is possible to get them to co-operate with the examining staff more than they do at present ;
- (3) The Sub-committee should consider whether efficiency has suffered from a tendency to differentiate between officers and subordinate staff as regards disciplinary action ; and
- (4) should also consider the bigger question of the control by the Railway Board over company management. The recommendations of the Sub-Committee will form part of our report.

*Colonel Gidney.*—I hope the Auditor General who has made these comments and the railway side will be represented on the Sub-Committee.

*Mr. Rau.*—If the Committee wants to get into very great detail, I can send for the Agent here. I do not want the Railway to feel that their case has gone by default.

*Sir Frederic Gauntlett.*—The Public Accounts Committee have raised the question whether the offenders should not be heard in person and they have pressed it very strongly and my advice has been absolutely to the contrary. It is never the case in England that the officer personally responsible attends before the Accounts Committee. It would be utterly wrong to bring individual people before this Committee. Mr. Raghavendra Rau is responsible for answering questions. He may get the assistance he desires but he is responsible for the answers.

*Chairman.*—I think Sir Frederic Gauntlett's warning is very much to the point.

*Colonel Gidney.*—Considering the exceptionally bad state of things in the Bengal Nagpur Railway, an exception might be made in this instance.

*Chairman.*—The whole point of this Committee is to find out whether the Railway Board has taken seriously the remarks that have been made previously by this Committee and we are not here to do the job of the Railway Board. If we start getting these people up we shall be transgressing into the sphere of the Railway Board. What we want to impress upon the Railway Board is that when we make some remark we mean it to be seriously looked into and taken seriously and that we will not be satisfied with general statements in excuse. I take it that that is the view of the Committee.

*Mr. Neogy.*—May I suggest that the question of the procedure followed in the framing of estimates might also be included in the terms of reference. I want to know the procedure followed in the framing of estimates and things of that kind for new capital projects and control over expenditure after their sanction.

762. *Chairman*.—We shall now proceed with the consideration of the Auditor General's letter. Paragraph 5 of the report, page 3. Have you got anything to say on that ?

*Mr. Rau*.—Paragraphs 5, 6 and 7. So far as excesses under grants 7, 8, 10 and 15 are concerned, the main point I have to make is that the Railway administrations cannot really be considered as being to blame for the excess over the grants as the expenditure was, except in the fourth case where it was very slightly in excess of the amount allotted, within the total of the amounts allotted by the Railway Board to the various railway administrations. The excesses must therefore be taken as signifying the break-down of the system of over-allotment which was introduced two years earlier ; we have taken a lesson from the results of this year and considerably reduced the over-allotments in succeeding years. As a supplement to the figures of over-allotment given by the Auditor General, I should like to give figures for the years 1928-29 and 1929-30. They are as follows :—

				(Thousands of rupees.)	
				1928-29.	1929-30.
				Rs.	Rs.
Grant No. 7 .. ..	..	..	..	2,15,12	45,00
Grant No. 8 .. ..	..	..	..	2,59,56	20,00
Grant No. 10 .. ..	..	..	..	1,56,75	50,00
Grant No. 15 .. ..	..	..	..	..	..

It will be noticed that the over-allotments which practically in all cases, steadily increased from 1925-26 to 1927-28, have thereafter been drastically reduced till in the current year's budget the total amount over-allotted is only 15 lakhs as compared with nearly 18 crores in 1927-28. In preparing the budget for 1928-29 in which year the over-allotment was just over 6 crores, we had begun to realise that the spending capacity of railway administrations had increased to a considerable extent since the system of over-allotment was first introduced and that this system had practically outlived its usefulness.

*Mr. Das*.—Reading this Appropriation Account, I find that the North Western Railway is doing very badly. Its revenue is decreasing every year. So one has to see whether new extensions are allowed on that railway. I find on page 183 that there is an excess on the North Western Railway voted capital grant.

*Chairman*.—We are dealing with a system which is completely out of date now. On behalf of the Finance Department I have had to assume much closer control of capital expenditure than hitherto and new construction of any kind will have to be very drastically curtailed.

*Mr. Das*.—Especially on those railways where the revenues are falling.

*Sir Frederic Gauntlett*.—The Committee might note with satisfaction that this question has already been taken up thoroughly.

*Chairman.*—That will be practically a commendation on myself. We are going to confine ourselves to the paragraphs to which the Auditor General calls special attention leaving the Sub-Committee to deal with points not already dealt with.

763. *Chairman.*—We will turn to paragraph 11 of the Report and paragraph 9 of the Auditor General's letter. I think the Committee would like to hear what Mr. Rau has to say on these points.

*Mr. Rau.*—The excesses under the other grants require some more detailed explanation. As regards Grant No. 4, as I have already explained, I think the total expenditure should be taken into account and not the voted portion of it by itself. If this is done the actual excess over the final grant is about 12½ lakhs and over the original grant 31½ lakhs. The main reason for the excess was, I must say, that the Railway Board deliberately reduced the amounts provided in the budget under this head in the hope that with further improvements in administrative machinery it should be possible to obtain a considerable reduction in the administration charges of railways without any loss of efficiency. The total amounts asked for by railway administrations amounted to 13 crores 31½ lakhs. The Railway Board came to the conclusion that after making due allowance for additional appointments contemplated at the time and other items of expenditure already sanctioned an expenditure of 13 crores 5 lakhs was what was more likely to be incurred, but in the hope of reducing expenditure by the investigations they asked railway administrations to make, they reduced this amount by 25 lakhs when approaching the Assembly for a grant. The total expenditure, as it actually happened, was 13 crores 11½ lakhs. This must be attributed to the fact that apart from the economies expected not being fully realised, a larger amount was required for new items of expenditure not anticipated when the budget was framed.

The other grant which remains is No. 14—Strategic Lines—Revenue. The total excess, taking voted and non-voted together, is Rs. 1,58,000 on a total grant of Rs. 1,58,45,000, just under 1 per cent. I am afraid, I have no explanation to offer except that our guess proved wrong. At the end of the year the North Western Railway Administration had asked for a total grant of Rs. 1,61,55,000 and we allowed them only Rs. 1,57,48,000 as we thought that it would be sufficient. The total expenditure amounted to Rs. 1,59,06,000. Both of us were wrong, the only consolation being that we were nearer the final figure than the N. W. Railway.

Under non-voted, the increase under "11-Miscellaneous" is in pensionary charges which was due to the inability of the Chief Auditor, E. B. Railway, who keeps the accounts of these charges to give us a proper estimate.

*Chairman.*—Is the Committee satisfied with the explanations. (No questions were raised.)

764. *Chairman.*—Paragraph 9 of the Auditor General's letter, paragraph 11 of the report.

*Mr. Rau.*—Our rules provide that no expenditure should be incurred on a work except in matters of grave urgency before a detailed estimate is sanctioned by competent authority. But the practice of sanctioning works on estimates

submitted in abstract has been in existence for some years now, the main justification for this being that an attempt to prepare plans and estimates in full detail in such cases at the outset results in a great amount of detailed work being performed which is ultimately wasted either because it may be decided not to proceed with the work and to shelve it indefinitely, or owing to the fact that as work progresses circumstances change and prices of materials vary, and it is thus found necessary to modify the scheme both in detail and cost long before it reaches completion. In both cases there is considerable waste of money.

I fully agree that detailed estimates should have been prepared in these cases very much earlier. The North Western Railway seems to be a constant offender in this respect, and I am going to take up the question with them. I am afraid that there is also some breakdown in the machinery of the audit office as I understand from dates supplied by the North Western Railway that the Chief Auditor's objections for want of a detailed estimate were very late, and in a number of cases it was about 18 months after commencement of work that the first objection was raised.

I am not sure that I entirely agree with the Accountant General that detailed estimates are particularly necessary on account of our present policy of obtaining a guarantee from Local Governments against loss on certain lines. Here it is not the fact that construction starts without a detailed estimate that matters; the terms on which the construction starts are settled long before, and we generally give the Local Governments a maximum figure of the amount that they would be expected to have to pay in any year. It is impracticable to prepare a detailed estimate before we arrive at this figure. For it may very well happen that a Local Government may consider the line not worth while on the terms we are prepared to offer it, and the preparation of a detailed estimate would thus be a pure waste of time and money. I agree fully, however, with the Auditor General's comment against paragraphs 93 and 94 that unusually careful abstract estimates of the cost of construction of such lines should be prepared before the final fixation of guarantee by negotiation with the Provincial Governments; and since ordinarily the terms that we offer to the Local Governments provide that they would have to bear the actual loss as shown by the financial results of each year subject to a maximum, it does not affect them very much if our estimate errs on the side of caution except that it may prevent some line being constructed which might have been started if we had been more optimistic. So far as I have been able to ascertain it is practically only in the two cases referred to in the appropriation accounts that our estimates have been far out. In the case of other lines constructed under a guarantee and already opened for traffic, viz., the Shahdara-Narowal Railway, Cuddalore-Vridhabahalem Railway, and the Salem-Mettur Railway, the final estimate of cost differs very little from the original, and in one of these it is, as a matter of fact, expected to be less.

The Railway Board do not consider that the fact that in a small number of cases the abstract estimates have been seriously exceeded would justify them in giving up their policy of sanctioning works on abstract estimates, and I do not think that the Auditor General wishes to object to that practice. I may add that in the case of the ten lines on the North Western Railway



(Commercial Section) to which sanction was given on abstract estimates since 1926, the total of the abstract estimates amounted to 463 lakhs and the total of the latest estimates of the cost of these lines amounted to 484 lakhs, a difference of less than 5 per cent. and of these 7 have been completed and 3 only are under construction.

765. *Chairman*.—Have you got anything to say about that Sir Frederic ?

*Sir Frederic Gauntlett*.—My attitude towards estimates has always been rather heterodox. My view is that it is entirely for the administration to determine what estimates they require before they accord sanction. I also think that it is necessary—once they have determined what estimates are required—that they should enforce those rules quite strictly unless there is very serious reason to the contrary. My general feeling is that you have a very elaborate book prepared as to the manner in which estimates should be prepared and yet those estimates are usually prepared in full detail practically after the work is completed. My humble submission is that the preparation of the estimate after the completion of the work is absolute waste of time and money, and yet I have seen estimates built up voluminously after the things have been done. My point is that the need for caution and thoroughness is before one single brick is put on the ground or a single piece of wood is cut.

*Mr. Rau*.—We are fully convinced that, except in cases of grave urgency, detailed estimates must be prepared before the construction begins.

766. *Sir Frederic Gauntlett*.—Why was the Kangra Valley Railway work started before the detailed estimates were ready ?

*Mr. Rau*.—The reason was that the Government of India was in a great hurry about it. They had promised the Punjab Government to have the line ready before the hydro-electric scheme was completed ; therefore all the engineers worked at the highest pressure they were capable of.

*Maulvi Abdul Matin Chaudhury*.—So you agree that before the construction begins, there ought to be a detailed estimate ?

*Mr. Rau*.—Yes. I entirely agree with that statement ; our rules also provide to that effect.

767. *Colonel Gidney*.—You replied in answer to a question from Sir Frederic Gauntlett with reference to the Kangra Valley Railway that it was the desired policy of the Government of India to expedite the work. Is that the only reason ?

*Mr. Rau*.—The expedition was due to the fact that the Government of India had agreed with the Punjab Government that they would finish the work early before the hydro-electric scheme was completed.

*Sir Frederic Gauntlett*.—One point does emerge out of this Kangra Valley case and it is this. If any real attempt had been made to prepare an estimate before the work had been started, would you ever have dreamt of starting the construction of the work without getting a guarantee from the Punjab Government. After all, it is the Punjab Government who have got the railway and you have to pay for the construction of it.

*Mr. Rau*.—They pay a small guarantee.

768. *Maulvi Mohammad Yakub*.—You stated that the North Western Railway has been doing this sort of work for a long time. May I know if the Railway Board has ever brought this fact to their notice, or was any pressure brought to bear on the Agent of that Railway?

*Mr. Rau*.—We must have done so.

*Colonel Gidney*.—Is it not a fact that they practically ignore your orders? At least that is the current belief.

*Mr. Rau*.—I think the North Western Railway is as much under the Railway Board as any other railway is.

*Maulvi Mohammad Yakub*.—Will you supply our Sub-Committee with the information I have asked for?

*Mr. Rau*.—Yes.

769. *Mr. Neogy*.—I want to ask you a general question. You know the policy that has been referred to for constructing non-remunerative lines. That policy is described in the Government of India Resolution, which is an appendix to the report of the Railway Board. (The Resolution was quoted.) From the statement Mr. Rau made just now it was clear that a maximum limit has been agreed to by the Government of India. I want to understand, first of all, how many such projects had been undertaken under a system of guarantee since this Resolution was promulgated and what are the general terms of these undertakings and whether this particular fixation of a maximum is justified on the terms of the Resolution I have just now read out.

*Mr. Rau*.—I can have a Memorandum placed before the Committee of the number of lines and the terms on which they have been constructed. I cannot tell them off-hand. I think they are about 5 or 6. As regards the question of the maximum, it is a question of practical consideration. We cannot ask any Local Government to give us a specific figure in this respect. In actual practice we do tell the Local Governments what the maximum amount they will have to pay for a line because they have got to take the approval of their Legislative Council before they enter into an agreement with us.

*Mr. Neogy*.—Have any rules been framed for the purpose of determining the terms of such understandings between the Local Governments and the Railway Board which guide you as a supplementary to the Resolution which I have quoted.

*Mr. Rau*.—We tell the Local Governments "These are our estimates and this is the maximum on which we are prepared to undertake the line". Before such a construction is undertaken, it has got to be approved of by the Standing Finance Committee. We also tell the Local Governments that this is the amount of loss and also the amount of guarantee that we propose to ask the Local Government to pay.

*Mr. Neogy*.—As a matter of practical politics could you not come to a sort of tentative understanding to start with and then enter into the formal and final agreement when you have got your detailed estimates of the construction. Cannot you defer the entering into the contract till you had the actual estimates?

*Mr. Rau.*—In that case we must give the Local Government the option of backing out of the contract, and if they do so, the preparation of the detailed estimates is a loss.

*Chairman.*—Surely the Provincial Government, if they want you to undertake the railway, ought to bear the cost of the detailed estimates ?

*Mr. Rau.*—We have not put it to them. But I agree that is a reasonable proposition to place before them.

*Mr. Neogy.*—Supposing a particular Local Government is very keen on a particular line and you, from the first appearances, think that it is not worth while taking it up. Therefore, unless you have a survey made, you cannot form any estimate of any kind. Now, for the purpose of carrying out that survey, surely the Railway Board incurs some expenditure. What happens to that ?

*Mr. Rau.*—It is added to the capital estimate. It is part of our work to survey lines which may be constructed.

*Mr. Neogy.*—Even in that case the Local Government can back out and the cost of the survey would then fall upon you.

*Sir Frederic Gauntlett.*—Is not the point very simple. If a Provincial Government comes forward with a request for the construction of a line under guarantee, the initial expenditure incurred by the Railway Board ought to be borne by the Provincial Government.

*Mr. Rau.*—I think there is another side also to that question. After all the railway construction is not entirely an interest of the Local Government.

*Mr. Das.*—Who is responsible for the estimates—is it the Railway Board or the particular railway line concerned ?

*Mr. Rau.*—The Railway Board is responsible for the estimates because they examine them here with the aid of their technical advisers.

*Chairman.*—As far as the Government of India is concerned, they must look to the Railway Board as being responsible. If the Railway Board have been let down by an Agent who has given them wrong estimates, they can come down on him.

*Mr. Das.*—But the Railway Board have also got their experts who supervise independently.

*Mr. Rau.*—They exercise supervision ; they do not go and examine the work.

*Chairman.*—We must confine ourselves to this particular case of the Kangra Valley Railway, page 47, paragraph 93. Perhaps Mr. Rau might say something to enlighten the Committee.

*Mr. Rau.*—In this case I might preface my remarks with the observation that the matter has not come up for decision before the Government of India. The Railway Board's report to the Government of India is being drafted. The Railway Board propose to institute a further investigation to find out who is responsible for the estimates and for the excess over the estimates in this case. They also hope to obtain the assistance of the Auditor General in that inquiry because they are not quite satisfied that the Railway Board have got as

much assistance as it should have expected from the Accounts Department. The whole matter is under consideration. I have no objection to answer any questions that the members may like to ask, but I would suggest that it would be more proper if this matter were to be taken up next year.

*Chairman.*—What I should like to know is whether in this case construction was started before the detailed estimates were prepared?

*Mr. Rau.*—That is so.

*Chairman.*—Is it a case of particularly difficult construction?

*Mr. Rau.*—It is an extraordinarily difficult construction. Our Director of Civil Engineering went down the line in April to see if they had been extravagant in any part of the line and he is satisfied that there is no extravagance. It is a country which is particularly liable to floods.

*Chairman.*—I suggest that the Committee might make certain observations about this. I think we may say that we refrain from detailed comment until the matter has been fully investigated but that it is an obvious instance of the impropriety of starting a project before the detailed estimates were prepared. It is doubly or trebly improper in a case of this kind where you are not dealing with normal construction but where you are dealing with a line which you know is going to pass through a very difficult country.

770. *Chairman.*—Paragraph 12 of the report and paragraph 10 of the Auditor General's letter.

*Mr. Rau.*—The two main points raised are—

(1) The reconciliation of the Stores Priced Ledgers with—

(a) The General Books.

(b) The Depot Books and Ground Balancees.

(2) The disposal of the 2,000 stock sheets referred to in sub-paragraph 3.

I have obtained from the Chief Accounts Officer a statement showing the position as regards (1) on 1st July 1929 which can be summarised as follows :—

(I shall be glad to read out the report to the Committee if they desire). As regards the reconciliation—

1 (a) above. This is completed for Howrah to date and for all other Depots up to 31st December 1928.

1 (b) above. Completed as regards Howrah except GB 4 up to March 1929. For other Depots the matter is receiving special attention.

As regards (2), I am unaware how the Accountant General got the information that the 2,000 stock sheets will be absolutely scrapped. Mr. Scott has informed me there has been no such intention and an investigation has been proceeding with regard to them and still continues.

The matter has been constantly engaging the attention of the Controller of Railway Accounts and the Chief Accounts Officer, East Indian Railway. The latter has himself adopted special measures and employed special staff on

this work. In March last or so opportunity was taken by the Controller of Railway Accounts to place on special duty mainly in connection with this work a senior officer of energy and ability out of those officers of the Indian Audit and Accounts service lent to us by the Auditor General. It is unfortunate that owing to domestic circumstances the officer had to go on leave and could not accomplish much. If the Auditor General will lend us an officer whom Mr. Scott and I particularly want, I propose to ask for him shortly—I am sure that by the close of the year or thereabouts the arrears will have been pulled up. Apart from this strengthening of staff, etc., definite steps have also been in force for some time now by means of which I have not the least doubt the Stores work of the East Indian Railway will be set upon a thoroughly satisfactory basis in the course of the next six months or so.

Mr. Scott has gone into the matter very thoroughly and he will be able to answer any questions that the members may like to put him. There is no doubt that there has been a lot of delay in the accounts offices. But the stores accounts were, I understand, in a terrible mess because of this general muddle. Mr. Hayman, who was Controller of Railway Accounts last year, said that he had no doubt that certain officers who were sent away by the Railway Board were responsible for deliberately destroying all proper procedure, so that they could have an easy hand in whatever they wanted to do.

*Sir Frederic Gauntlett.*—I was going to suggest that your word “muddle” was very mild. What has happened to those officers?

*Mr. Rau.*—They have been dismissed. We have now put in a specially capable officer as Controller of Stores of the East Indian Railway and to give him further assistance we have just now placed on special duty Mr. Meade who was very successful as Controller of Stores on the Eastern Bengal Railway. The Railway Board is fully alive to the seriousness of the situation.

*Chairman.*—I am sure the Committee would like to hear what Mr. Scott has got to say on the present state of affairs.

*Mr. Scott.*—I think that the disease has been a long standing one and if one looks at the East Indian Railway itself, one is likely to remark that the disease is possibly chronic. My own view is to radically alter the present procedure and to start machines. We have tested this method of working with the machines on the North Western Railway. There is a mechanism in the machine which not only strikes on the card what the debits and credits are but it also automatically strikes the numerical balance or the monetary balance. We have tested it in the North Western Railway and found it perfectly economical. So that I have stated to Mr. Rau that in the course of the next six months I anticipate that the actual results on the East Indian Railway will perhaps be better than they have ever been. I am carrying out this experiment on the North Western Railway because the East Indian Railway is in such a state that any experiment carried out there at present would be of no value.

*Maulvi Abdul Matin Chaudhury.*—From when has this machine been experimented with on the N. W. Railway?

*Mr. Scott.*—From about April.

*Maulvi Abdul Matin Chaudhury.*—Do you think that time is quite sufficient to judge ?

*Mr. Scott.*—Quite enough.

*Sir Frederic Gauntlett.*—If, as you say, the disease is chronic and of long standing it usually needs a surgical knife to get it out. Have you applied the surgical knife to the Stores Department ?

*Mr. Scott.*—If the Railway Board would authorise me to do so I have no objection. You mean the dismissal of the whole staff ?

*Sir Frederic Gauntlett.*—I do not mean quite the whole staff, but in view of the system of obstruction or worse about which Mr. Raghavendra Rao definitely hinted, do you not think it might be desirable to remove any members of that staff ?

*Mr. Scott.*—I have left tentative instructions with the Chief Accounts Officer in respect of the present situation and in respect of the application of the surgical knife to which you refer.

*Maulvi Abdul Matin Chaudhury.*—Is it a fact that recently owing to the inadequacy of the machines the N. W. Railway was involved in a loss of 2½ lakhs ? If the machine is not working more accurately than the human agency is there any justification for introducing machinery ?

*Mr. Scott.*—I think that the whole question is coming up a little later.

*Chairman.*—Is it a fact that there have been serious miscalculations ?

*Mr. Scott.*—A machine is just a human fabrication. If it is out of adjustment or if there is wear it will not give you accurate results. Nobody working with these machines would dream of accepting the results they work out without a definite test. In 99 out of a 100 cases it would work out accurately—the hundredth time it may be incorrect. But that is very carefully guarded against. I have met people who have complained that the machine was making a mistake and adding nine or ten thousand to every item. But the machine has to be looked after, it cannot work correctly otherwise.

*Mr. Mitra.*—It can make mistakes ? Our idea was that a machine being an automatic thing it could not make mistakes.

*Mr. Scott.*—It can, but any machine, like a motor car, can wear out.

*Mr. Mitra.*—It can only be caused by the wearing out of the machine ?

*Chairman.*—If the parts are out of adjustment they may give you wrong figures.

*Maulvi Muhammad Yakub.*—If you take work through human agency you can fix responsibility ; with a machine you cannot fix responsibility on anybody.

*Mr. Scott.*—The machine is a very excellent detective medium.

*Maulvi Muhammad Yakub.*—But if the machine goes wrong ?

*Chairman.*—You can check that on the machine. You said Mr. Scott that you have a check on the results given by the machine ?

*Mr. Scott.*—Yes. Our test is of course a totals check, prepared quite apart from the machine, so that every machine process is again referred to the original totals.

*Sir Frederic Gauntlett.*—How soon would you find out a wrong adjustment ?

*Mr. Scott.*—At once. At every step we have a test.

*Colonel Gidney.*—I suppose these machines have been indented for from some other country where they work satisfactorily ?

*Mr. Scott.*—They have worked now for many years very satisfactorily both in America and in England.

*Sir Frederic Gauntlett.*—The Prudential Assurance Co. has over 30 of these machines and has had them for a very long time. Mr. Scott, I think, obtained a good deal of his information from the Prudential.

*Mr. Scott.*—That is so.

*Chairman.*—Well, Sir Frederic are you satisfied that all action that can be taken is now being taken ?

*Sir Frederic Gauntlett.*—Yes Sir. The only statement which has caused me any disquiet is Mr. Raghavendra Rao's statement that in order to put matters right he would have to indent on me for special officers. I think it is rather a commentary on the efficiency of the previous staff on the East Indian Railway. I shall of course be only too glad to help him, but it is a commentary on the old staff that somebody should be brought in to put things right.

*Chairman.*—I think we have brought that commentary out in various forms already. But you referred to the surgeon's knife and I gathered that no actual decision had been taken to make any wholesale change in the staff ?

*Sir Frederic Gauntlett.*—I only made that comment after Mr. Scott had referred to the disease being chronic.

*Chairman.*—But before Mr. Scott used that expression had you formed your own diagnosis ?

*Sir Frederic Gauntlett.*—It is not for me to make any suggestion of that sort. Administrative action must go back to the Railway Board.

*Chairman.*—What we want to get from you is whether you from your side feel that the criticisms that you have had to make on the state of affairs have not been properly attended to ?

*Sir Frederic Gauntlett.*—The only thing which I do not find precise is Mr. Rau's statement that in the depots outside Howrah the matter was receiving special attention. That is a beautiful phrase but I should have much preferred the data as to the point to which reconciliation had been brought.

*Mr. Scott.*—They have not started as yet. I mean there are very considerable difficulties in the way of reconciliation. They have done some parts of it. They have reconciled their card balances with the general books ; that reconciliation has taken place. But the reconciliation of the depot books and the ground balances with the actual ledger balances has not yet taken place. In the case of the depots other than Howrah the difficulty is that the accounts are rather in a mess. They have been adopting different classifications to the

classifications in the general books, and similarly depots have been issuing, as between themselves, different classifications.

*Sir Frederic Gauntlett.*—How long do you think it will take to put matters right ?

*Mr. Scott.*—As soon as I am ready to introduce the new system. In the case of Howrah that will be in the course of the next two or three months.

*Sir Frederic Gauntlett.*—But you have said that you could not possibly introduce an experiment on the East Indian Railway because the conditions were so bad there. Will the conditions have improved sufficiently to enable you to make a complete change and introduce mechanical accounting ?

*Mr. Scott.*—I am not counting on any radical improvement. I am counting on a little progress being made in preliminary work, such as getting the classifications uniform. Then I shall introduce a new procedure.

*Sir Frederic Gauntlett.*—Do you think you will get loyal assistance from people who are there in the introduction of the new scheme ?

*Mr. Scott.*—If I cannot get it I shall have to import other staff. I should think however that there is certainly a small proportion of men who would be useful and ready to work the new procedure.

*Sir Frederic Gauntlett.*—Would you be prepared to face that as a possibility ?

*Mr. Scott.*—I would, Sir.

*Chairman.*—Mr. Scott, as I understand it, you have really agreed with Sir Frederic. But I understood you to indicate that you were awaiting sanction from the Railway Board for the drastic action which you yourself had recommended ?

*Mr. Scott.*—I have not recommended anything. But the usual thing is, when one displaces one method of work by another, such as the introduction of machines in this case, the normal procedure is not to dismiss any staff which may be rendered surplus as a result of the change but to postpone recruitment until the surplus has been absorbed. Now from the time I have taken charge I have been impressed generally with the fact that the staff on the East Indian Railway is not up to the standard one would wish. As a general statement I think that is correct. It has been a question with me as to how I should meet that situation. The solution, I have now satisfied myself, lies in the introduction of an entirely new method which will greatly diminish the number of clerks which will be needed. I trust with that diminution that the number we take will be thoroughly efficient.

*Chairman.*—That means to say that in this case you do not mind departing from the general rule. You were going in for large scale dismissals of staff ?

*Mr. Scott.*—If the Railway Board would approve of it I would certainly not be against a measure of that kind.

*Chairman.*—I take it that the type of man who is going to be displaced by the introduction of machines would be quite a subordinate accountant or clerk. But most of the faults of this are really due to the people at the top who are



not going to be affected at all by the introduction of mechanical methods lower down.

*Mr. Scott.*—I think the supervising staff also will be subject to reduction.

*Chairman.*—Would you be able by cutting out the superfluous supervising staff to retain a reduced staff of good quality or would you have to remove the whole of the supervising staff and put in new people ?

*Mr. Scott.*—I have not come to any decision about the superior staff beyond what I have stated that it is a matter about which I have left tentative instructions with the Chief Accounts Officer, that it is occupying my attention and in a couple of months' time I hope I can take definite action. I have come to no definite opinion about particular officers.

*Chairman.*—May we take it that the position is that you are yourself determined that the matter must be tackled drastically ?

*Mr. Scott.*—Yes.

*Chairman.*—When you have settled on your plan you will tackle it, and so far you have no reason to think that your recommendations will not be approved by the Railway Board. You have not so far put up any definite recommendations about the staff and about re-organising the whole system ?

*Mr. Scott.*—I have not put up any recommendation and I have not the full details as to the staff to be displaced—possibly about 30 or 40 or even 50 per cent.

*Chairman.*—What would that mean in numbers ?

*Mr. Scott.*—I should think the staff occupied there will be about 120.

*Sir Frederic Gauntlett.*—You are only talking about the Stores office ?

*Mr. Scott.*—Yes.

*Sir Frederic Gauntlett.*—You want to keep that clear.

*Chairman.*—That is really the bad black spot.

*Mr. Scott.*—I should explain that the difficulty in regard to stores work is not so much the work which responsible people have to do. There is an immense amount of routine spade work—various documents governing issues and receipts have to be individually posted into perhaps 50,000 ledger heads, all these have to be extracted and compared with entries in another book, etc.

*Chairman.*—I quite understand that. I want to get the general position. I take it you agree with the Auditor General for the need for drastic action and it is simply because you want more time to study the situation that you have not yet taken that drastic action ?

*Mr. Scott.*—In the course of the next six months I am confident that there will be almost a model method on the East Indian Railway. That is the main result to which I have set myself—to introduce a model procedure on the East Indian Railway.

*Chairman.*—But will there be a model staff ?

*Mr. Scott.*—Well I think there will be a perfectly good staff; if it cannot be got there, then from elsewhere, if the necessity is forced upon one to get it from elsewhere.

*Maulvi Abdul Matin Chaudhury.*—How have you found that 50 per cent. of the staff are inefficient?

*Mr. Scott.*—I have not said 50 per cent; I may perhaps have to go further.

*Chairman.*—What Mr. Scott has said is that the introduction of mechanical method would displace 30 or 40 or 50 per cent. of the staff.

*Sir Frederic Gauntlett.*—May I put it this way. I think it is generally agreed that the administration of the Stores Department in the East Indian Railway has been very bad from quite the top for some years past, and there is no clerical staff in the world that can work efficiently if the administration for several years has been bad. That must make a staff inefficient. I am only answering Mr. Chaudhury's question.

*Maulvi Abdul Matin Chaudhury.*—It appears to me that the inefficiency of the staff has come up in regard to the introduction of the machine, not before.

*Mr. Scott.*—I have introduced the machine and experimented with it on the N. W. Railway with a double purpose. One was to see its effect there, and I have already seen that there are great possibilities in it even in an office which is not affected as the East Indian Railway office is. Having proved that, I have an implement with which I can make good on the East Indian Railway. But the staff being what it is—they have been bolstered up and special efforts have been made to improve the position without any result—that is what made me say that the state was chronic.

*Kumar Ganganand Sinha.*—How long does it take to train a man to use the machine?

*Mr. Scott.*—About three weeks.

*Maulvi Abdul Matin Chaudhury.*—And the approximate expense?

*Mr. Scott.*—It will be a large economy.

*Chairman.*—What is the capital cost?

*Mr. Rau.*—We are hiring the machines.

*Mr. Neogy.*—How many types of machines are in use?

*Mr. Scott.*—Of this particular kind, there are two.

*Mr. Neogy.*—Are there only two kinds?

*Mr. Scott.*—I am referring to a particular kind of machine. Of other kinds of machines adaptable to office purposes there are very many.

*Mr. Neogy.*—Of this particular kind there are only two kinds?

*Mr. Scott.*—Yes. Two companies are dealing in these particular machines.

*Mr. Neogy.*—Are we not being placed in a practically hopeless position so far as the supply of these machines is concerned, seeing that there is no chance of their being manufactured in India?

*Mr. Scott.*—I cannot look forward to the future. They are manufactured in America and in England.

*Mr. Rau.*—Last January we got a large reduction in the cost of the cards we use on them, and the companies have, I think, almost undertaken to try and manufacture the cards in India.

*Mr. Das.*—I have a question. Is not the defect in the Stores account due to the fact that your accounting staff were subjected to the control of the Stores Officers over whom the Chief Accountant has no control?

*Mr. Scott.*—Well these are men under the Chief Accounts Officer.

*Mr. Das.*—But still, that difficulty arose because the Stores officials did not allow your accounting staff to function properly.

*Mr. Scott.*—Well of course the staffs of the Controller of Accounts have greatly contributed and are still contributing to the trouble.

*Mr. Das.*—But is it not due to the fear that if the Stores Officers report that they are doing bad work their promotion would be stopped?

*Mr. Scott.*—I know nothing about that, beyond the fact that a special committee met when I was last in Calcutta especially to deal with this matter of wrong classifications and set it right.

*Mr. Das.*—In the matter of promotion, are you guided by the recommendations of your Accountants only or also by those of the Engineer or Stores Officers, etc.?

*Mr. Scott.*—No, they have nothing to say with regard to our staff.

*Chairman.*—I think we have fairly well explored this question of the East Indian Railway Stores administration. We have had a definite assurance from Mr. Scott that the matter will be seriously tackled in the immediate future and I do not think we can say very much more about it now.

**Evidence taken at the fifteenth meeting of the Public Accounts Committee held on Friday, the 23rd August 1929 at 11 a.m.**

**PRESENT :**

(1) The Hon'ble Sir GEORGE SCHUSTER,	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	} <i>Members.</i>
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) Kumar GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	
(9) Mr. K. C. ROY.	
(10) Lieutenant-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.	} <i>Were also present.</i>
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	
(13) Mr. G. KAULA, Director of Railway Audit.	
(14) Mr. A. C. BADENOCH, Director of Commercial Audit.	
(15) Mr. B. NEHRU, Deputy Auditor General.	} <i>Witnesses.</i>
Mr. P. R. RAU, Financial Commissioner, Railways.	
Mr. W. H. SCOTT, Controller of Railway Accounts.	
Mr. J. A. TOWER, Director of Finance, Railways.	

The Chairman read out the terms of reference to the sub-committee and also announced that the sub-committee would meet on the afternoon of the 26th, and the mornings of 27th, 29th and 30th August 1929.

Mr. P. R. Rau, Financial Commissioner, Railways, adverting to the information which he promised to give regarding land acquisition proceedings in Nagpur said that the Agent in October 1923 explained that the owner of the property had retired to England and that there was no one in India with full authority to act on his behalf. Accordingly in order to avoid delay and complications which were liable to ensue if the land acquisition proceedings were left to follow the normal course, negotiations were opened with the Solicitors of Mr. Reynolds. But the matter was further complicated by the fact that Mr. Reynolds' mental condition was such that a Receiver was appointed by the Court and eventually negotiations were opened with a representative appointed in India with full powers and the bargain was struck at Rs. 1,75,000 which included the 15 per cent. compensation and it further included the cost of extension, rent charges, etc. The Railway Board agreed to it. In May 1924 the Agent came to the Railway Board with a proposal to renovate the bungalows

at a cost of Rs. 44,000 and the Railway Board had no option but to sanction the renovation. This happened before the financial side of the Railway Board was strengthened in 1924. Mr. Rau felt sure that those proposals would be more carefully scrutinised at present when the Railway Board had sufficient staff to cope with the work.

*Chairman.*—We cannot accept such reasons as the absence of people on leave as an excuse for departing from the proper procedure laid down in land acquisition proceedings.

*Page 7 (paragraph 14) of the Report.*

771. *Mr. Das.*—The Committee have to make a recommendation on this subject. There is nothing to be discussed now on this paragraph.

*Page 12 (paragraph 29) of the Report.*

772. *Sir Frederic Gauntlett.*—I take it that it is a matter for the Committee dealing with the convention.

*Mr. Neogy.*—Having regard to the very large size of the Reserve, don't you think that a strong case is made out for reduction in rates and fares?

*Chairman.*—That is exactly the sort of question which is being discussed in the other committee. I do not think it will be the intention of the Legislature that this question should be discussed by two committees.

773. *Mr. Das.*—In page 16, paragraph 35 of the Report of the Public Accounts Committee on the Accounts of 1926-27, it is said : " We would also commend for the consideration of the Government of India the question whether the Department might not use its accumulations in the depreciation fund for avoidance of debt..... ". This was with reference to the Postal and Telegraph Department. With regard to the Railways, the report says :—

" We notice in this connection that the kindred question of investment of balances in the railway depreciation and reserve funds is under consideration of the Railway Department." May I know what has been done in the matter?

*Chairman.*—As the Committee knows the question of investment of the balances in the railway depreciation and reserve funds is really a question which concerns the ways and means of the position of the Government. I mean those funds form part of the ordinary government balances and the result in practice has been they have been used for financing capital expenditure on railways.

*Mr. Das.*—Would not the postal department claim that the fund should be invested in the postal department because they are paying a larger interest when they borrow from Government. I want to know what the views of the Government are if the postal department wants their depreciation fund to be invested in reserves?

*Chairman.*—What is exactly your proposal? Do you suggest that the Government is not allowing sufficient rate of interest on these depreciation and reserve fund balances that it holds?

*Mr. Neogy.*—What is the rate of interest that is paid on this reserve ?

*Sir Frederic Gauntlett.*—I might say on that point that it has been brought out quite clearly in Mr. Jukes' memorandum.

*Chairman.*—I forget for the moment what the rate of interest is. What I would say is that the rate of interest to be allowed on these balances was, as far as I know, an integral part of the whole railway convention, and if you want the Government to pay a higher rate of interest to the railways, that I think would have to be taken into account with all the other terms of railway convention.

*Mr. Rau.*—It was not in the resolution itself, but that was the arrangement entered into between the Finance Department and the Railway Board. The arrangement was that the rate should be one per cent. below the rate charged to the Provincial Loans Fund, the reason for that being that this was practically call money.

*Mr. Das.*—You have no statement to make on paragraph 35 of last year's report ?

*Mr. Rau.*—This question is being considered by the separation committee.

*Chairman.*—It is being regarded part of the railway convention which is considered by the other committee.

*Mr. Neogy.*—Not the rate of interest.

*Chairman.*—Yes, what we consider is : are the railways properly treated ; is the Government profiteering on railways ? This is one of the factors in considering that issue.

*Page 13 (paragraph 30) of the report.*

774. *Mr. Das.*—Against the Madras and Southern Mahratta Railway, the percentage between column 3 and column 4 has decreased, while the surplus profit has increased. Why is it so ?

*Chairman.*—Actually since 1925-26, it has not increased. Of course there was a difference which would be accounted for by increase in capital at charge. The percentage may be lower, but the total profit may be higher because the capital at charge has gone up from 44 to 53 crores.

*Sir Frederic Gauntlett.*—It is curious that between 1926-27 and 1927-28 there was a drop of over nine lakhs in the net receipts and yet the surplus profits paid increased slightly.

*Mr. Rau.*—The surplus profits are divided after the interest payments are deducted from the net receipts. But I think in 1927-28 there was a certain change in the division of the surplus profits between the Secretary of State and the Company which is given effect to in those year's accounts. Formerly the whole amount of advances of the Secretary of State was profit-sharing capital and it is now being treated as bearing interest.

*Sir Frederic Gauntlett.*—I will draw up a memorandum dealing with this question.

*Chairman.*—On a previous occasion I asked for an annexe to the general report dealing with commercial undertakings. I think we can get a much more instructive report on how the railways are really working

if we are to include in the report some sort of explanation other than that which we are now getting from this bare statement in the Accountant General's report.

*Sir Frederic Gauntlett.*—It is very curious that the same questions have been occupying the attention of Mr. Kaula and myself for about a year after a scrutiny of the Appropriation Accounts which are published in South Africa. They are most compendious and I was very interested in them and studied them very carefully. But when we came to investigate the situation as we did very carefully, we found that in the Appropriation Accounts was included a considerable amount of information which in India is spread over the Finance and Revenue Accounts which go to Parliament and in the annual Administration Report which is published by the Railway Board. It is a question of how far it is desirable to duplicate the information which is available elsewhere. There is always the problem as to whether the Appropriation Report in itself is to be a self-contained document at the expense of duplication or whether we should call attention to matters which are dealt with elsewhere or omit to deal with those questions which are dealt with elsewhere. I quite appreciate the point that if these matters are dealt with in the Appropriation Accounts, they will be dealt with from a somewhat different point of view from that which obtains when the Administration Report is being drafted. I think it is eminently a subject which wants much more thoughtful consideration. At the same time I have on occasions found fault with some of my own Accountants General for duplication of work.

*Chairman.*—I do not think I am suggesting duplication. I am suggesting really the presenting of a lot of information which is available already, in a form which will be easily intelligible to the Committee. What I have been suggesting all along is that this Committee besides dealing with points of financial irregularity in the accounts and such types of questions should at the same time review the general working results of the Government's commercial undertakings in a much more detailed or rather in a more general way. It should be able to make a general survey as to how commercial undertakings are running.

*Sir Frederic Gauntlett.*—That will include a review of three years.

*Chairman.*—I want the Committee to have before it the sort of report which the Chairman of a public company gives the shareholders at a general meeting, say, something which reviews the general results. That of course, in this case, would not be for the Accountant General to prepare, but it would be for the department responsible to prepare, I suggest, in consultation with the audit side. Of course, I have a second implication. What I am suggesting is that we want something, while we are considering commercial undertakings, which will be more up-to-date than these accounts that we are dealing with which are always three years behind the clock.

775. *Mr. Neogy.*—I find that the figures in the Administration Report differ considerably from the corresponding figures as given in the Appropriation Accounts. So it is very difficult to rely on the Administration Report. In the case of the Madras and Southern Mahratta Railway, for instance, the capital at charge given in the Administration Report is different from that given in the Appropriation Accounts and similarly there are differences in the other figures.

*Mr. Rau.*—The chief difference is due to the fact that in that Administration Report the exchange is taken at 1 shilling and four pence and here it is 1 shilling and 6 pence. It will be set right in the new Administration Report.

*Sir Frederic Gauntlett.*—I might mention, Sir, that one of the most important questions which it is necessary to settle before the presentation of the figures is finally decided upon is still undecided, and that is, how are you going to convert money which has been spent in sterling in England into rupees for arriving at the total figure? I sent forward certain proposals about that matter to the Railway Board some 2½ years ago. The question is most important in the case of railways, but it is a question which is of considerable importance throughout a large portion of the Finance and Revenue Accounts. It is a general decision which is required more than a particular decision for the Railways only. The principles that were agreed upon in England when the new form of Finance and Revenue Accounts was decided upon in 1921 were that sterling money should be recorded in sterling and rupee money should be recorded in rupees and that no attempt should be made to combine the two unless it was really necessary. But where it is really necessary the question as to how it ought to be done is still unsolved.

*Chairman.*—I did not know that the general question is still outstanding and that you were asking for a definite ruling on it.

*Sir Frederic Gauntlett.*—I did not ask for a definite ruling, but the question has been taken up on the Railway Board files and I assume that any principle that was accepted for the Railway Board would be accepted as of general application.

*Chairman.*—Are there any more questions on this point?

776. *Mr. Das.*—In this note which Mr. Rau will submit to the Committee I would ask him to explain how although in the Madras Southern Mahratta and South Indian Railways the surplus profit had increased, in the matter of the Burma Railways it had decreased although the percentage of profit had increased. The same also applies to the Bombay Baroda Railway.

*Mr. Rau.*—I shall have a memorandum on that point circulated to members of the Committee.

*Kumar Ganganand Sinha.*—On the lines of the Auditor-General's report?

*Mr. Rau.*—As regards the note of the Auditor-General I should like to make one statement. It seems to me that in comparing the different years it is better to take the appropriation to the depreciation fund than the actual expenditure on renewals and replacements which varies from year to year; and I find that if that had been done the general comment of the Auditor-General that there is a fall in profit in the case of the three company lines would not have been correct. In the case of the Bengal Nagpur Railway there is a loss but it is steadily diminishing. In 1925-26 it was 46 lakhs and 60 thousand, in 1926-27 it was 40 lakhs and 45 thousand and in 1927-28 it was 20 lakhs and 31 thousand, and so on.

*Sir Frederic Gauntlett.*—You say the result is that the loss is steadily diminishing but the figures as given in paragraph 30 show a profit.



*Mr. Rau.*—It is a loss if you take the appropriation to the depreciation fund, instead of taking the actual expenditure on renewals and replacements.

*Sir Frederic Gauntlett.*—You could not depart from the contract and make a radical change in the method of calculation of surplus profits.

*Chairman.*—What you mean is that in the Bengal Nagpur figures supplied here we are dealing with the actual expenditure on depreciation, and that has varied from year to year ?

*Mr. Rau.*—And varied considerably. In 1925-26 the appropriation to the depreciation fund is 109½ lakhs and the actual expenditure is 42 lakhs. Next year the figures are 114½ lakhs and 28 lakhs. In 1927-28 the appropriation is 116½ lakhs and the expenditure 57 lakhs.

*Sir Frederic Gauntlett.*—I think these figures show conclusively the merit of the institution of the depreciation fund.

*Mr. Rau.*—So for the purpose of comparison I suggest that the Accountant-General should show the figures of appropriation to the depreciation fund here.

*Sir Frederic Gauntlett.*—My submission is that in this report we must deal with the facts as they are, and these are the facts.

.. *Chairman.*—Yes, but I think there should be a footnote to that because in this particular case a profit and loss account is being made up on quite a different principle from all the other cases.

*Sir Frederic Gauntlett.*—We might have an additional column showing the results which would have been arrived at if the appropriation to the depreciation fund had been taken instead of the actual amount spent on renewals and replacements.

*Mr. Mitra.*—If we take all these into account then the Bengal Nagpur Railway will show a loss ?

*Mr. Rau.*—Yes.

*Mr. Das.*—In that case how are they entitled to share in the surplus profits ?

*Mr. Rau.*—Under the contract.

*Chairman.*—They are working on the basis of actual expenditure and not on the proper theoretical appropriation that ought to be made. We are going to suffer for it now.

*Sir Frederic Gauntlett.*—Considerable light is thrown on this question in paragraph 41 of the report and the statement on page 22.

*Mr. Das.*—This is a new statement which has been introduced this year and I hope the Auditor-General will continue it every year.

*Para. 34 of the Report and para. 16 of the Auditor-General's letter.*

777. *Mr. Rau.*—The statement made in sub-paragraph 2 is rather more definite than the Railway Board would commit themselves to.

*Kumar Gangarand Sinha.*—I should like to know why the reduction of fares did not stimulate traffic on the E. B. and B. N. Railways.

*Mr. Rau.*—In the B. N. Railway there was no reduction in fares. In the E. B. Railway in that year, so far as I remember the reduction was only making third class mail and ordinary fares the same.

*Mr. Das.*—I have to raise one point about the N. W. Railway. I find that there was no increase in the number of passengers carried.

*Mr. Rau.*—That is the effect of growing motor traffic.

*Mr. Das.*—We have to see to the general administration of that railway, and in paragraph 39 it has been mentioned that on the N. W. Railway “the increase in earnings is mostly due to the development of long distance traffic, the actual tonnage carried being however less than in the previous year”. I am only pointing out that that railway is making a lesser profit and so the Railway Board should be careful to see that they do not unnecessarily increase the capital of that railway, because that railway is always running at a loss.

*Mr. Rau.*—I cannot see how the administration can be held responsible for the actual tonnage being less or the actual number of passengers being less.

*Mr. Das.*—If you reach the maximum of passengers and the maximum tonnage, it is no use increasing your mileage whereby you increase the capital expenditure but you do not increase your revenue.

*Chairman.*—I think each extension has to be considered on its merits. If it happens that there is a big area which can be developed I do not think we should condemn it because the N. W. Railway is showing slightly worse results than other railways.

*Mr. Neogy.*—When you consider the case of the A. B. Railway, it was a losing concern for many years. It is because of the new extensions that it is showing some little profit now and the new extensions have proved profitable.

778. *Colonel Gidney.*—In view of the increasing motor transport on roads, what steps are being taken to help the railways?

*Chairman.*—That is a question of general policy which the Railway Board are now considering. As a matter of fact I think I am correct in saying that the railways at present have not got statutory powers to run motor transport. This question is a very important one. We must see that the railways in India do not get to the same position as the railways in England have suddenly found themselves in, that is, that they are up against a very serious form of competition which is really being subsidised out of public money because motor transport does not contribute a fair share to the upkeep of roads. That question is one which arises in connection with the whole road policy of Government. I do not think we can discuss it now but I just mention it as illustrating one of the remarks that I made yesterday. It is a question of general policy on which the Finance Member ought to confer with the Commerce Member.

*Sir Frederic Gauntlett.*—This point is referred to in paragraph 38 of the report.

*Chairman.*—I think the Public Accounts Committee could quite usefully comment on the fact and suggest that the time has come when the Railway Board which is responsible for the management of the railways

should consider the railway policy in relation to the possible competition of motor transport.

*Kumar Ganganand Sinha.*—I think in England the railways are running motor buses ?

*Chairman.*—Yes.

*Kumar Ganganand Sinha.*—The railways in this country may also do the same thing.

*Chairman.*—That would be the sort of thing they will have to consider. But for the present we will make a general recommendation of that kind.

*Para. 37 of the Report.*

*Sir Frederic Gauntlett.*—Detailed comments on this statement are contained in paragraphs 38—40.

779. *Chairman.*—This is a statement which it is somewhat useless to study now as they relate to things that happened two years ago. Would it be possible to bring this statement up to date in the report and give the last year's figures as well ?

*Mr. Kaula.*—Not when the report is written.

*Mr. Rau.*—We could probably circulate a memorandum just before the meeting of the Committee.

*Mr. Das.*—I find that the company-managed railways are doing better as regards passenger and goods traffic. So I think the Railway Board should consider whether the company-managed railways should not reduce their rates and freights and bring them to the level of the State-managed railways. I refer particularly to the B. N. Railway.

*Mr. Rau.*—That is not quite correct. They have been reduced. The M. and S. M. Railway for instance reduced its rates in 1927.

*Sir Frederic Gauntlett.*—The two railways with which we are mostly concerned are the E. I. and B. N. Railways. The B. N. Railway increased from 24.5 to 25.8 ; the E. I. Railway increased from 72 to 76.3. So the increase on the E. I. Railway was more than on the B. N. Railway.

*Mr. Das.*—That is due to the reduction of rates. But the rates on the B. N. Railway have not been reduced.

780. *Sir Frederic Gauntlett.*—Mr. Rau, is it possible for you to force the railway companies to reduce their rates ?

*Mr. Rau.*—I believe, we are trying to persuade the B. N. Railway to reduce its fares.

*Mr. Neogy.*—Are you not trying that for the last three or four years ?

*Mr. Rau.*—I hope there is some chance of success. We could indirectly force them by reducing the maximum.

*Mr. Neogy.*—Do you prescribe a maximum separately for each railway or is it uniform ?

*Mr. Rau.*—It is uniform, but there are few exceptions for special lines, like the Kalka Simla Railway.

*Mr. Roy.*—Would you like a revision of the Indian Railways Act in that respect ?

*Mr. Rau.*—A revision of the Act is under consideration.

*Mr. Das.*—I hope the B. N. Railway will reduce their rates for the benefit of Government as well as the passengers.

*Mr. Rau.*—The whole question is whether it would be a paying proposition to reduce rates on the B. N. Railway because even now it is being run at a loss so far as Government is concerned.

*Mr. Das.*—That is due to mismanagement for so many years.

*Sir Frederic Gaultlett.*—The Railway Board cannot force a company to reduce its rates except by a reduction of the maximum fare.

*Mr. Rau.*—The maximum rates on all railways, except hill railways, are uniform. The relevant clauses of the contract with railways are :—

“ The Secretary of State shall from time to time authorise maximum and minimum rates within which the Company shall be entitled to charge the public for services rendered by way of or in connection with the conveyance of passengers and goods on the undertaking, and shall prescribe the several classes and description of passengers and goods to which such rates shall be respectively applicable as well as the extent to which within the maxima and minima so authorised the Company may vary the said rates in respect of the distance or weight or special conditions under which such conveyance takes place or services are rendered.

The Secretary of State shall give the Company not less than three months' previous notice in writing of his intention to make any change in the rates or classification so authorised and prescribed, and unless the Company shall assent to such change it shall not be operative until the expiry of the said notice. Provided that when the Secretary of State shall declare that a change is necessary to meet a public emergency it shall suffice for him to give such shorter notice as he shall consider reasonable....”

781. *Mr. Neogy.*—What is the position of the Rates Advisory Committee with reference to the question of fixation of fares and rates on company lines? It cannot give any decision which would be binding on the companies?

*Mr. Rau.*—No.

*Mr. Neogy.*—Supposing the Rates Committee recommends a reduction of fare in the case of a company line, how do you see it is carried out, if the Railway Board agrees with that recommendation?

*Mr. Rau.*—Clause 31 gives the answer to that question. It runs as follows :—

“ The company shall not as between members of the public make or give any undue or unreasonable preference or advantage to or in favour of any particular person or company or any particular description of traffic or subject any particular person or company to any undue or unreasonable prejudice or disadvantage. The Secretary of State shall have absolute power for the purposes of this section to decide whether any preference, advantage, prejudice or disadvantage is undue or unreasonable.”

*Chairman.*—But the power to fix maxima and minima gives you a powerful lever ?

*Mr. Rau.*—Yes ; but it is so powerful that it is hardly ever exercised except as a lever.

*Chairman.*—It looks from the contract as if the Secretary of State has got absolute power in the matter.

*Mr. Roy.*—What is the position under the Railways Act as regards maximum and minimum rates and fares ?

*Mr. Rau.*—I do not remember the Act myself : I cannot possibly answer that question offhand.

*Chairman.*—The only thing that the Committee can possibly say is that in view of the powers which appear to exist in the agreements with company-owned railways the Railway Board ought to follow a definite policy of adjusting rates on company-managed lines to rates on state lines.

*Mr. Rau.*—That is not always possible ; as a matter of fact it must depend on the conditions and financial prospects of that line and all that sort of thing. Mr. Das's point is that by reduction of rates we could get increased earnings.

*Mr. Das.*—That is one of my reasons. The B. N. R. has never reduced its rates.

*Chairman.*—We might add “ unless there are economic reasons to the contrary ”.

*Mr. Roy.*—Might I suggest a recommendation that this might be considered in connection with the revision of the Indian Railways Act which is now before the Railway Board—the question of adequate powers ?

*Mr. Rau.*—We have got adequate powers now, I think.

*Para. 19 of the Auditor General's letter.*

782. *Chairman.*—What have you to say as regards this increase in fuel expenditure ?

*Mr. Rau.*—The fuel charges have increased but as a matter of fact there has been no increase in the consumption of fuel per train mile. I think in comparing figures it is really the consumption of fuel which ought to be considered and not increase in charges because charges include freight, and the explanation of the B. N. Railway is that the total freight charges on fuel were increased during this year as a larger quantity of fuel was taken from their joint collieries at Sawaney.

*Chairman.*—This again is the sort of figure which one would like to be brought up to date when we are discussing the question.

*Kumar Ganganand Sinha.*—What about the Burma Railways (para. 77) ?

*Mr. Rau.*—I take it that the consumption of fuel is also higher.

*Chairman.*—The consumption has also gone up there ?

*Mr. Rau.*—It is a very slight increase. The fuel referred to there is wood fuel.

*Mr. Neegy.*—You say that the freight charges on coal account for the increased cost : why should you not purchase coal in the most favourable market ?

*Mr. Rau.*—This year over three-fifths of the coal for State Railways was taken from the public.

*Kumar Ganganand Sinha.*—But what about the remarks in para. 44 ?

*Mr. Rau.*—The charges have increased but not the actual consumption in pounds per train mile : in fact they have economised.

*Chairman.*—Is the B. N. Railway working entirely on coal produced in their own collieries ?

*Mr. Rau.*—I am not sure.

*Chairman.*—Would it not be better to charge the cost of the coal produced at the B. N. Railway owned collieries at the fair market price of coal ?

*Mr. Neegy.*—Have they any commercial accounts ?

*Mr. Rau.*—We hope to have our departmental collieries on a cost accounting basis this year, but it will not meet Mr. Neegy's point as regards other collieries as we cannot impose upon company-managed railways our system of accounts ; once we start a real commercial system of accounting in our railway collieries, other railways will probably follow suit : but till we set our own house in order we cannot really compel others to do so.

*Chairman.*—I think we might note that it is a very unsatisfactory feature in the accounts of the B. N. Railway that apparently the loss on working their coal mines is being borne by the railway accounts.

*Sir Frederic Gauntlett.*—The report as presented does not indicate whether the actual results of running the B. N. Railway collieries come into the accounts of the railway itself : I cannot see for a moment where else they could come in.

*Chairman.*—Why has the cost of freight gone up ?

*Mr. Rau.*—Because of a longer lead : they are taking it from more distant collieries and the distance to the loco. sheds has been greater.

*Chairman.*—I think you make an economic mistake when you say that the cost of coal has not gone up because the cost of producing coal includes the cost of bringing it to the place where it has got to be consumed.

*Mr. Rau.*—The cost at the pit's mouth was lower than in the previous year. That is what I meant. The whole question was that there was a longer lead and we cannot take it as entirely a loss because the railway presumably got the freight. It is only the additional haulage involved that should be taken.

*Kumar Ganganand Sinha.*—How does the matter stand now ? Are they continuing to take coal from distant places ?

*Mr. Rau.*—I do not know about the following year.

*Chairman.*—I suggest that the conclusion is that whatever the actual facts are, the commercial results of running the B. N. Railway are being complicated by the fact that the Railway are using their own coal and it is possible that the railways are being made to show worse results in order to

avoid showing a loss on working the coal mines ; and it is a subject which should be inquired into and the accounts of the coal mining undertaking ought to be kept on a proper commercial basis and that the B. N. Railway, as a railway undertaking, ought not to be charged by the B. N. Railway coal mining undertaking more than a commercial rate for the coal which it uses.

*Para. 20 of the Auditor General's letter.*

783. *Chairman.*—Have you anything to say on para. 20 of the Auditor General's letter ?

*Mr. Rau.*—The Auditor General's suggestion has been given effect to. Sanction was asked for on the 18th October 1928 for the extension of the Chief Commissioner's appointment and the sanction, dated the 3rd December 1928 was received on the 24th December 1928.

*Mr. Das.*—Why did you take one year to write to the Secretary of State ?

*Mr. Rau.*—The case is the personal case of a high officer and such cases sometimes get stuck in still higher quarters.

*Mr. Das.*—Was it in the Railway Board or in the Finance Department ?

*Mr. Rau.*—The Finance Department has nothing to do with it.

*Mr. Shervani.*—Does it not mean that you can give an extension to your own officers without any legal authority ?

*Mr. Rau.*—It was not given by the Board ; it was given by the Government of India.

*Kumar Ganganand Sinha.*—Can you give an assurance that such a thing will not recur ?

*Mr. Rau.*—I hope so, but obviously I cannot give an undertaking.

*Mr. Roy.*—You will admit that it is not a matter for the Railway Board itself but for the Governor General in Council ?

*Mr. Rau.*—Yes.

*Para. 22 of the Auditor General's letter.*

784. *Chairman.*—We next come to para. 66 of the Report—para. 22 of the Auditor General's letter.

*Mr. Rau.*—This was a case which I settled in Calcutta when I was there last. we have issued instructions : I understand that the figure of Rs. 15 mentioned here is a mistake. The Agent explained to me that as a matter of fact no loss was incurred because he had got reductions in rates that contractors charged ; but I told him it was not possible to set off one against the other and that it was much better to pay the contractor the proper rate and charge him proper rent ; he has accepted that.

*Mr. Das.*—I have one general observation to make, that this strengthens the Public Accounts Committee's recommendation and the Auditor General's demand that the Government Examiner's staff should be strengthened.

*Chairman.*—I am very glad to accept that observation.

*Para. 23 of the Auditor General's letter.*

785. *Kumar Gangananand Sinha.*—Is there any other railway in which the Cash Department is worked by contract ?

*Mr. Rau.*—Yes ; the North Western Railway—and very satisfactorily too, I understand.

*Colonel Gidney.*—Is it your desire to introduce it in the E. I. R. too ?

*Mr. Rau.*—It depends on the results of the tenders we have called for : if we can get a reliable contractor and if we find that the cost would be much less than our cost at present, running it departmentally, I suppose it would be in the interests of the railway to do so.

*Kumar Gangananand Sinha.*—How long has the contract system been worked on the N. W. R. ?

*Mr. Rau.*—I cannot say exactly : it has been worked for years.

*Mr. Roy.*—What is the practice in other countries ?

*Mr. Rau.*—I do not know.

*Mr. Mitra.*—As regards reliability, it might be enough if we demand a larger security ?

*Mr. Rau.*—I think on the E. I. R. we are asking for two or three lakhs of rupees deposit as security.

*Mr. Roy.*—What is the practice in the Currency Department ?

*Mr. Rau.*—It is departmentally worked, but in the Punjab and the United Provinces treasuries, I know there are contractors.

*Mr. Roy.*—Do you consider the system wholesome ?

*Mr. Rau.*—The Railway Board has decided to call for tenders.

*Colonel Gidney.*—The Auditor General remarked that ample action had been taken in the matter : I have just looked at this and find that the action consisted of the officer being allowed to resign and his gratuity forfeited : which means that he received his provident fund and his bonus. Am I right ?

*Mr. Rau.*—Yes, that is correct.

*Mr. Das.*—The offence seems to have been serious : the man entered the strong room without witnesses and allowed certain records to be removed.

*Mr. Rau.*—The question was carefully considered by the B. N. R. in consultation with their legal advisers and it was on legal advice that it was decided to allow him to resign on forfeiture of his gratuity ; they found they could not substantiate a case for criminal prosecution. The solicitors of the B. N. R. are Messrs. Orr Dignam and Co. As a matter of fact the original intention of the B. N. R. and of the Railway Board was to take more severe measures, but after taking legal advice they decided that this was the best they could do in the circumstances.

*Mr. Das.*—The only point that arises is that the chief auditor of company-managed railways cannot be relied upon and it shows that there should be more scrutiny.



*Mr. Rau.*—We have now changed from the contract to the departmental system there.

*Mr. Das.*—But now you are going back to the contract system on the E. I. R. ?

*Mr. Rau.*—Because the system is not bad in itself and we have very satisfactory experience of it on other railways.

*Mr. Das.*—You have not taken the advice either of the Finance Department or the Auditor General in the matter ?

*Mr. Rau.*—We do not usually take the advice of the Auditor General in questions of administration.

*Mr. Das.*—You might do so in trying to run railway accounts ?

*Mr. Rau.*—We have got sufficient experience of the system on the N. W. R. and which was under the Auditor General's control till recently.

*Maulvi Mohammad Yakub.*—Is it not proper that such a fundamental policy of financial control must be referred to the Finance Member, if the financial policy of the Government of India is to be controlled by the Finance Department ?

*Chairman.*—It is not a question of fundamental policy ; it is a question of administration and a question of economy ; it is not a question of policy.

*Sir Frederic Gauntlett.*—It is not that this proves the inherent unsoundness of the system of contractors, but the fatal results that may happen if you have a Chief Auditor who cannot be relied upon.

*Maulvi Abdul Matin Chaudhury.*—If the system is not at fault, why did you change the system ?

*Mr. Rau.*—That was the advice of the officer whom we sent down to start an investigation into this affair and they borrowed from the G. I. P. Railway which is working on the departmental system their cashier who had experience of years and he was entrusted with the duty of reorganising the whole system. It is probably a case of the burnt child dreading the fire ; naturally if you have a bad experience of one system, you would try another.

*Sir Frederic Gauntlett.*—Once you have a subordinate establishment which has been subject to unfair temptation the only thing to do is to get rid of the establishment and start another.

*Chairman.*—I suggest we cannot now enter into a general discussion on the question of the system of running our treasuries. We are really concerned with this particular case and are satisfied that the action taken was as severe as it could be. I do not think therefore there is anything more to be said. If the Committee wants to raise discussion on the general system of running treasuries, they must take another occasion for doing that.

*Paragraph 32 of the Auditor General's letter.*

786. *Chairman.*—Paragraph 32 of the Auditor General's letter, pages 49-50. This refers to the inclusion of the balances of materials lying unused at the site of the works in the annual return of stores. An explanation was furnished and we were satisfied with it.

The next question is the extension to other Railways of the procedure of the N. W. Railway where stores issued to sheds for revenue repairs form part of the stores balances.

*Mr. Rau.*—I am afraid I have not been able to trace the letter of the Director of Railway Audit on that point in which we refused to agree to these orders being extended to other railways. My personal opinion is in favour of such extension. I shall look into the question and see that orders are issued.

*Chairman.*—That is satisfactory. The Auditor General says “I do not entirely endorse the comments relating to the East Indian Railway etc.”

*Sir Frederic Gauntlett.*—The point is that when Mr. Heseltine went to the E. I. R. he found that the whole system of the purchase of stores on the E. I. Railway wanted radical reorganisation. What they had been doing was practically purchasing from hand to mouth for almost day to day at retail prices things which ought to be bought in lump for the year. If you take advantage of the wholesale rates and purchase in large quantities, naturally you must have an increase in the stores balance and to the extent it is due to that cause, I regard it as wholly proper.

*Paragraph 35 of the Auditor General's letter.*

787. *Chairman.*—The next paragraph is paragraph 35 of the Auditor General's letter.

*Mr. Rau.*—As regards (i), I understand that the delay in the final extension of the siding was due to delay on the part of the Forest Department of the Burma Government in opening up certain forests. The portion which was not affected by that was completed without delay. As regards (ii), from an extract of a contract sent by the Agent it appears the reverse is the case. Sleepers delivered at the siding had to be charged at Rs. 2-4-0 and those on the main line at Rs. 2-8-0. The Agent reports that the suggestion in the Accountant General's Report that the rate for sleepers delivered alongside the main line was raised to bring it up to that of sleepers delivered at the siding is not correct. The increase in the rate is due to increase of Government royalty. (iii) The inference that the siding was laid more to enable the sleeper contractor to develop his own contracts who utilised his own materials more in his own interests than in the interests of the railway is stated by the Agent to be negatived by the fact that the forests served by the siding were the properties of the Burma Government and the right systematically to exploit them was put up to open tender by the Government after the siding had been constructed. Sleepers were actually purchased from these forests at approximately Re. 1 less per sleeper than the price recommended as a fair price by the Sleeper Enquiry Committee. The Agent says that from no other source could they have got this quantity at the same or lower price. (iv) As regards the compensation, it was laid down in the contract that any increase in the Government royalty was to be a charge against the railway. The Forest Department increased the royalty on the sleepers and this involved an additional payment to the contractor. (v) Public tenders were not called for but private enquiries were made both in 1923 and in 1926 and the rates quoted were as high as Rs. 3-8-0 per sleeper and very much higher than what is even now being paid. The Agent says there is no advantage in calling for tenders as the whole area served by the siding is held on

lease from Government by one timber merchant who secured the lease on open tender subsequent to the building of the siding.

*Mr. Das.*—Before the Accountant General made these observations the Government Examiner of Accounts must have consulted the Chief Accounts Officer of the Burma Railways. Why did he not do so ?

*Mr. Rau.*—That starts on the assumption that the Government Examiner must have consulted the Agent. I am sure it would be better if the Government Examiner and the Agent send us an agreed version of these cases. Sometimes the explanations of the Agent and the version in this report seem to be so very divergent that they look as if they are talking about different cases. In this case, it is difficult without going to Burma and making a personal enquiry to find out the real facts of the matter.

*Chairman.*—Was an attempt made to get the information from the Agent ?

*Mr. Kaula.*—The remarks were sent to the Chief Accounts Officer and he should have made any statement that he had to make. If the facts stated in the Government Examiner's note were wrong, he should have challenged them. Quite apart from that, this report was prepared many months ago and there was plenty of time at the disposal of the Chief Accounts Officer to make any statement.

*Chairman.*—On the face of it, the explanations which we have heard are satisfactory. They answer all the points. But this seems to be one of the cases where there is lack of co-operation between the Examiner and the Company's auditors.

*Sir Frederic Gauntlett.*—So far as this particular case is concerned, it is useless pursuing it, because the company has now ceased to exist and the line has been taken over by Government. But as to the general relations between the Government Examiner and the Chief Accounting Officer of the Railway, very important issues are raised.

*Chairman.*—I think we might recommend that this case should be examined ; it might throw light on the lack of co-ordination.

*Sir Frederic Gauntlett.*—I suggest that this question should be discussed in detail between the Director of Railway Audit, the Controller of Railway Accounts and the Financial Commissioner. We are agreed that it is quite useless when the facts reported by the two sides are diametrically opposed.

*Chairman.*—Let us make a note of that and follow the suggestion.

*Mr. Rau.*—May I add something more in this connection. We have recently had a report from an Agent in which he complains that though he told the Government Examiner that certain statements were incorrect, the Government Examiner persisted in sending that to the Director of Railway Audit. I shall give the Auditor General the name and other particulars afterwards.

*Sir Frederic Gauntlett.*—I should be only too glad to enquire into individual cases like that. I do not accept the implication that the Government Examiner must be wrong.

*Chairman.*—We have already agreed that this should be further investigated. Personally I should like to know how such a thing as this can happen.

*Sir Frederic Gauntlett.*—We will have a detailed account of the manner in which the Government Examiner prepared his report and the action he took to communicate it to the Company.

*Paragraph 56 of the Auditor General's letter.*

788. *Mr. Rau.*—As I have already explained, taking the voted and non-voted grants, the net total excess over the final grant was Rs. 12½ lakhs out of a grant of 13 crores and I do not think that a margin of 1 per cent. can be considered so bad after all. A supplementary demand is presented at the close of the year, but the materials on which the demand is based are collected by the Railway Board earlier. On the E. I. Railway, the excess over the total original grant was nearly 18 lakhs. By the end of the year the Railway Board had made further grants by re-appropriation and the total excess was just over 10 lakhs and the grant amounted to 237.70 lakhs and the expenditure 247.80 lakhs. The excess is not very serious, about 4 per cent. But I have other reasons to conclude that the East Indian Railway make little effort to cut their coat according to their cloth. For every trifling thing they have a way of coming up to the Railway Board for additional grants. The necessity of taking all possible steps to see that grants are not exceeded, postponing, if necessary, less urgent works, is being impressed on them.

*Mr. Neogy.*—In spite of the separation of audit from accounts, we have no better budgeting from the East Indian Railway.

*Mr. Rau.*—The separation of audit and accounts is not a magician's wand. If it was so bad, it would naturally continue to be bad for some time after. This is the first budget that was prepared after the separation.

*Chairman.*—Necessary action has been taken ; we cannot go very much further.

*Paragraph 58 (d) of the Auditor General's letter.*

789. *Chairman.*—The next point is the comment on sub-paragraph (d) of paragraph 58, on page 10. New works started without grants.

*Mr. Rau.*—The supplementary demand for 1927-28 was voted by the Assembly on the 27th March 1928. It included provision for all these projects except for the Kashipur-Kalagarh and the Arantangi-Karaikudi-Manamadura lines. As regards the first of these two, provision of Rs. 5 lakhs was made in the budget. As regards the second line, it formed part of the Trichinopoly-Karaikudi line, funds for which were voted by the Assembly in the previous year's budget and the expenditure during 1927-28 which amounted only to Rs. 8,000 was incurred.

*Chairman.*—You admit that most of them were new schemes ?

*Mr. Rau.*—Yes ; and we got a supplementary demand.

*Chairman.*—If so, a specific supplementary grant should have been obtained for expenditure upon these schemes. You say it was obtained ?

*Mr. Rau.*—Except in the case of two lines, one of which was provided for in the budget and the other had been provided for in the budget of the previous year.

*Sir Frederic Gauntlett.*—If you will look at page 191, Item 36, you will see non-voted supplementaries repeated there. If Mr. Rau says that these were included in the supplementary, I accept the statement. But then I must ask the accounting officer why supplementaries were not included in the statement. As I have said before, my comments are of such urgency that it is impossible for me to consult the officers who have written the original Reports in order to see whether my comments are justified or not, but I do admit that the statement made here is inaccurate and I will have that put right in future. The Railway Board does admit that a new construction is a new service.

*Mr. Rau.*—We are always prepared to obtain a supplementary grant for new construction, but our point is, we must not be prevented from starting new constructions in anticipation provided we obtain the approval of the Standing Finance Committee for Railways. We can obtain a formal grant from the Assembly later. That was, I believe, what Mr. Parsons told the Committee last year. The expenditure at the start would be very little.

*Chairman.*—We are not concerned with the expenditure at the start. It may be a lakh or so in the first year, but eventually you may be committed to crores.

*Mr. Rau.*—If we were to put in our budgets only lines which have been sanctioned, it might create difficulties. We shall have to put in our budgets quite a large number of lines which are still under consideration. Some of them might be quite good, but there might be difficulties in spending money on those lines on account of land acquisition, sometimes on account of negotiations with other Railways and so on. For instance, lines which have been sanctioned two years ago, I think, in the G. I. P. Railway are still held up because the negotiations with the Nizam's Government have not been concluded. So it does happen that all the money cannot be utilised and our construction staff will remain unoccupied. If we are quite sure that another project if started at once would be more remunerative, then our practice is to start it immediately after obtaining the approval of the Standing Finance Committee for Railways. It would be more economical to do so, because we should not be keeping our construction staff unemployed. Whether there is provision for such work or not, we start it at once with the idea of obtaining a supplementary grant when the Assembly is in session.

*Chairman.*—You might have included in your budget a new branch line which would cost say 50 lakhs, of which you would be spending say 6 lakhs in the current year. You might find for the reasons you have stated that you were not able to spend the amount that year on that project, but the project which you are going to substitute for the 50 lakhs might be a 5 crore project. In a case like that you would be putting a heavy responsibility on the Standing Finance Committee?

*Mr. Rau.*—I daresay that we would not think of starting such a Railway without the special sanction of the Assembly.

*Chairman.*—I do not think we can accept that statement.

*Sir Frederic Gauntlett.*—Might I suggest a solution? I understand that new lines go before the Standing Finance Committee and receive their approval. Would it not be possible for you to enter in the Budget the

lines which are already under construction, then those which you regard as certain to come under construction in the following year and then as a means of making a provision for the delays to which you have called attention just enter two or three more lines with merely token grants against them ?

*Mr. Rau.*—That would be open to the objection raised by the Chairman that we would be committing the Assembly to expenditure which might run to crores.

*Chairman.*—The question is what latitude is to be allowed to the executive to start on a new service with the approval of the Standing Finance Committee in anticipation of the approval of the Legislative Assembly.

*Sir Frederic Gauntlett.*—My suggestion would meet the difficulty in a practical way. All that is necessary for the Railway Board is to ask the Government of India to consider the possibility of such a suggestion.

*Chairman.*—This Committee should say that whatever latitude is allowed it should not attempt to substitute for a project which had been put before the Legislative Assembly another more costly project although in a particular year it would not cost more than the sum already provided for.

*Paragraph 59 of the letter, sub-clause (f).*

790. *Chairman.*—That is really a point similar to that made in paragraph 57 (d) of the letter ?

*Mr. Rau.*—My answer also is the same, Sir. They were not started in the year under report. They were already in progress and they were expected to be completed in the previous year. They can hardly be described as new schemes. The amounts that we spent in 1927-28 were small and trifling. In a number of cases they merely represent accounts adjustments.

*Sir Frederic Gauntlett.*—Schemes which have been provided for in previous year's budgets need not be regarded as new services in the present year's budget. We have already said that.

791. *Chairman.*—Sir Frederic, that finishes all the points in your letter to which you call special attention. Do you think now from your point of view we have in the main Committee covered a fairly adequate ground and that we have dealt with all the typical cases ?

*Sir Frederic Gauntlett.*—Yes. I entirely agree that we have done useful work, but I do suggest that one object of this Committee is to focus on the necessity for an improvement of administration, and while I agree that we have chosen the most typical cases, I do suggest that we call attention of the Railway Board to the whole bulk of the Report. It is the cumulative effect of the Report which weighs with me. It leaves me with rather a feeling of disquiet. This is the last occasion on which I should be present, and I do feel that while there is steady improvement elsewhere, I hesitate to say that things are all right in the Railways. I do see substantial improvement in the Army, but I cannot say the same thing about the Railways.

*Mr. Roy.*—What do you attribute this to ? What has been your reading ?

*Sir Frederic Gauntlett.*—Inefficient administration,—I won't say at the headquarters. I was talking to Mr. Wrench this morning, and I told him that if there was an officer of Mr. Wrench's calibre in any branch of the Railway administration he would obtain the same results that he has obtained in the workshops during the last 5 years, and that is nearly a crore of rupees a year.

*Mr. Rau.*—If the Committee will permit me, I should like to point out that in order to get a proper perspective you ought not to look merely at the Appropriation Report. I think in considering the hundred cases of irregularities you must not forget the work of the large number of railway servants who render loyal and devoted service to the State. I should certainly think that the results shown in our Administration Reports are highly satisfactory considering apart from everything else the fact that we have during the past 5 years paid to General Revenues over 25 crores and 25 crores into Reserves. That is why I say that the Appropriation Report places only one side of the picture before the Committee, and that the dark side. I daresay that in any large administration you will find points to criticise and to condemn. I think the Auditor General is somewhat prejudiced by the number of Bengal Nagpur cases, and the cases that have been brought to light are not the result of one year. You have got only 9 cases in the Bengal Nagpur Railway in one year.

*Mr. Roy.*—But do not think that the Committee as a whole are not appreciative of the Indian Railway system. We are very glad that Sir Austen Hadow is coming before us.

*Sir Frederic Gauntlett.*—I do feel that sterner administration is wanted.

*Colonel Gidney.*—But you admit there has been improvement?

*Sir Frederic Gauntlett.*—I want to make the point quite clear. I think the amount of work that has been done by the Railway Board shows a wonderful record. All that I say is that the job is so enormous that there is still a great deal to be done; it is not merely the general administration at the top that has to be looked into, it is the strengthening of the individual control right down the line that requires close investigation.

*Chairman.*—Would you say that on the Accounts side, on the question of handling stores and in checking the original estimates and in respect of control of expenditure there has been a great improvement?

*Sir Frederic Gauntlett.*—In the matter of bringing down stores balances and the general improvement of stores control and the attempt made to give effect to Sir Arthur Dickinson's recommendations in regard to the workshop committee, I think there has been improvement, but when you raise the question of estimates not merely the preparation of estimates but the degree of conformity with the rules regarding estimates and so on, I see very little difference. Rules issue year after year and the results are practically the same.

792. *Mr. Roy.*—What has happened to the Aden Railway? Has it gone out of us?

*Mr. Rau.*—We are now dismantling it.

**Evidence taken at the sixteenth meeting of the Public Accounts Committee held on Friday, the 23rd August 1929, at 2-30 p.m.**

**PRESENT :**

(1) The Hon'ble Sir GEORGE SCHUSTER.	<i>Chairman.</i>
(2) Mr. T. A. K. SHERVANI.	} <i>Members.</i>
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) KUMAR GANGANAND SINHA.	
(6) Maulvi ABDUL MATIN CHAUDHURY.	
(7) Mr. K. C. NEOGY.	
(8) Maulvi MOHAMMAD YAKUB.	} <i>Were also present.</i>
(9) Mr. K. C. ROY.	
(10) Lieutenant-Colonel H. A. J. GIDNEY.	
(11) Sir FREDERIC GAUNTLETT, Auditor General.	
(12) The Hon'ble Mr. E. BURDON, Financial Secretary.	} <i>Witnesses.</i>
(13) Mr. G. KAULA, Director of Railway Audit.	
(14) Mr. B. NEHRU, Deputy Auditor General.	
Sir AUSTEN HADOW, Chief Commissioner, Railways.	} <i>Witnesses.</i>
Mr. F. R. RAU, Financial Commissioner, Railways.	
Mr. W. H. SCOTT, Controller of Railway Accounts.	

793. *Mr. Neogy.*—The first point which I wanted to raise was with regard to the control exercised by the Railway Board over company-managed lines. I should like to know something about how this control works in practice. We have had evidence with regard to the question of the control as exercised by audit through the Government Examiner of Accounts, but we should like to know as to how this control is exercised in the technical side, I mean the administrative side.

*Sir Austen Hadow.*—It works in this way. We exercise control mainly through the budget of capital works and the budget of revenue expenditure which they put up to us year by year. Of course, big schemes for capital works in any case come up separately for sanction just as estimates for new projects do, and the Board can and generally do question and criticise doubtful features in such projects and schemes. In recent years, as most of you are aware, the powers of the Boards of Directors of these railway companies have been increased on the principle of decentralisation just as we have increased the powers of Agents of our State-worked railways. In fact, the powers that we give to the Boards of Companies are practically identical with those we give to Agents of our State-worked railways; I think I am right in saying that.

*Mr. Neogy.*—You mean financial powers ?

*Sir Austen Hadow.*—Not only financial powers, but powers under establishment, powers under all classes of little things, like the provision of



amenities for their own staff and things of that kind. Practically the powers of the Board of Directors of a railway company are identical with those of the Agents of State-worked railways.

*Mr. Neogy.*—Is there any document which could show the difference between the powers enjoyed by them before and the powers which are now being extended ?

*Sir Austen Hadow.*—You would have to see two books. This is the latest book of financial powers. I have got it here and you may see it. We encourage the Boards of these railway companies to delegate those powers which we give them, to their own Agents as much as possible so that their own Agents may be as far as possible in the same position as the Agents of State-worked railways. Some of them are more generous than others towards their own Agents and we exercise a certain amount of influence in the matter.

*Mr. Roy.*—But you have no statutory right to enforce your orders upon company-managed railways ?

*Sir Austen Hadow.*—Statutory rights are unnecessary. If I may say so, we get all we want by the powers we have over their expenditure. We can practically do everything we want under our powers of control over their expenditure.

As I said, the big schemes of course come up to us, and owing to the larger delegation of powers that we have given in recent years they can actually sanction fairly moderate sized schemes—I think the limit of their powers is Rs. 5 lakhs on a single scheme. But there is a reservation. They may not sanction any scheme costing even less than 5 lakhs, unless it has been entered in an approved programme, that is, the programme which has gone through examination in our office and has become part of our railway budget. That is what I mean by an approved programme. Anything between one lakh and five lakhs they cannot sanction unless it has been shown as a special item, as an individual item, in an accepted programme.

*Mr. Rau.*—And they cannot spend more than 20 per cent. over the amount in the programme. We have introduced that this year.

*Sir Austen Hadow.*—In these remarks I have been dealing with new capital works. Those come up to us in the form of a capital programme once a year. For the last few years we have been making them send up a 5-year programme at a time. You will understand that many of these works cannot be finished possibly in one year. Some of them take 3 years to complete especially if they are works which interfere with the working of traffic. We have just this year cut down the five-year programme which we think is rather too long a period to look ahead for and we have put it at three years. They send us capital programmes for 3 years ahead and they are due in July. They are examined thoroughly by our office and are then discussed with each Agent individually by the Board at the end of September or the beginning of October. If any work appears to us to be questionable or not to be urgent we cut them out, and I may remark here that in the last five years the Railway Board members have done a lot of touring which has enabled us to exercise much greater power in this way than we had previously, because by travelling about we get a pretty good idea of what the difficulties are, why the existing facilities are not sufficient, and so on. Of course, statistics also help us

in that way very much. Take, for instance, a marshalling yard. We have statistics to show how long it takes a wagon to pass through a marshalling yard, what it costs, and so on. So with the help of the office and the information which we get in various ways we are able to exercise a pretty sharp check over the whole of this programme when sent up. This is the capital programme for works.

The rolling stock programme is considered six months earlier. That has been made necessary by the development of manufacture in India ; we have had great difficulties in getting out our calls for tenders for new rolling stock in time enough to give manufacturers in India time to think over the arrangements they have got to make for material in order to deliver in the following year. In order to get orders placed for rolling stock for the following year by September or October of the previous year, we consider the rolling stock programme six months earlier, that is to say, in March, when we discuss each rolling stock programme with the Agent, and there we have got into a very strong position in recent years owing to our very elaborate statistics to check these rolling stock programmes. That is how practically we exercise our control of capital.

The revenue is treated very much in the same way - only there are entirely different bases for examining it. The anticipations of traffic in the following year have to be estimated and the cost of working that traffic, which depends,—or a very large portion of it depends—on what you estimate your service is going to be, your train mileage. The first essential that you have got to get at before you apportion your revenue budget is to make an estimate of what your train mileage will be. You can get that pretty accurately so far as passenger train mileage is concerned, but it is very difficult to estimate what the goods train mileage will be. That can only be done as a result of experience, statistics, records, and things of that kind. Our statistics again have enabled us to criticise and question the figures that are put down in the revenue budgets by the railway administrations concerned and in many cases we are able to effect very considerable reductions. We point out to them what other railways can do a certain amount of work for and we tell them “ You ought to be able to bring it down ” and so on. In that way we exercise our check. I do not know if anything more is required from me as regards control.

*Mr. Neogy.*—I take it that you have certain specific powers of control. You were referring to cases in which you exercise control by persuasion. The principal point mentioned in the contract which justifies interference on your part is that the assets must be maintained in a proper condition ?

*Chairman.*—I should just like to elaborate this point about control. In the course of our questions addressed to Mr. Rau we covered cases of control. I want to know what the position is in regard to control on other matters. I refer first of all to the question of the control of rates and secondly to the control of the railways. For instance, the Railway Board may take the view that the staff in a particular branch of a railway is inefficient or that disciplinary action in connection with a particular incident is necessary. Suppose, for instance, the Stores organisation in the Bengal Nagpur Railway is rotten and we think that all the superior staff there should be shifted and you should get entirely new blood. In a case of that kind, do you exercise a large measure of control ?

*Sir Austen Hudson.*—That can only be done in a round about way. All the employees of a company railway are really servants of the company and not the servants of Government. If we thought that there was

something very serious in the Stores Department of a railway and if we had to exercise any power, that would come mainly through the audit. There have been instances recently where we exercised a certain amount of power through audit. There was a case in Khargpur. I forget how the case came up to us. I am rather vague about the matter. I did not anticipate a question of this kind. The man at fault was, I believe, one of the Company's audit officers and I think it was the Agent who brought it to light. I think, if I remember aright, the Government of India Audit came in and helped.

*Mr. Rau.*—That is the case where we asked the Auditor General to give us one of his best men to investigate a particular case.

*Colonel Gidney.*—Supposing there was an official of the Bengal Nagpur Railway dismissed, would he have a court of appeal?

*Sir Austen Hadow.*—No. We exercise no direct control in that way. We sometimes hear of these cases and we sometimes ask the Agent of a company as a matter of courtesy to let us see the papers and so on but as a rule we do not touch that side of the question.

*Mr. Roy.*—It does not matter if the line is company owned or State owned and company managed. Don't you think that the Governor General in Council ought to have a right of veto of the highest officer?

*Sir Austen Hadow.*—I should hesitate a long time before saying that. My experience—and it is a long one—is that the company-worked railways have done India extremely well and their officers have been entirely on a par with the State railway recruits. In many cases they have an advantage in the matter of recruitment which we have not. The Board of Directors are in more direct touch with the men they are recruiting. The India Office cannot do the same thing quite.

*Mr. Roy.*—We must pay the utmost deference to what you say but you will realise that we are in the parting of ways. The old institutions are disappearing. Don't you think that in future the appointment of the Agent of a big trunk line must be subject to the veto of the Governor General in Council?

*Sir Austen Hadow.*—I should think a long time about it because it would show a want of confidence which I think would be very derogatory on the whole, especially to the general feeling between these companies and the Indian Government.

*Mr. Roy.*—I believe you could have dealt with the Khargpur case under the Indian Railways Act. You have a special section there for offences? You settled it by indirect influence?

*Sir Austen Hadow.*—There was most direct action. That is why our action was complained of.

*Mr. Roy.*—How was that settled?

*Sir Austen Hadow.*—You must remember a deputation which waited on the Honourable Member in Delhi.

*Mr. Roy.*—I was in England at that time. I was thinking of the irregularities and not of the strike?

*Sir Austen Hadow.*—I did not know what you were driving at. We have got tremendous powers about financial irregularities.

*Mr. Roy.*—Have any of these powers been used by the Railway Board ?

*Sir Austen Hadow.*—Most certainly.

*Chairman.*—Arising out of that, suppose you think that disciplinary action ought to be taken against individuals or that there should be a complete clearing out of the staff. Your direct powers don't extend to that, I suppose ?

*Sir Austen Hadow.*—Not to that. I think the Board of Directors are more powerful in that respect in dealing with their own staff. They are not bothered, as we are bothered, when we get rid of officers. In our case influential friends of that man come and bother the Railway Board and the Honourable Member to get him reinstated. We have got disgraceful cases of that kind and it is a thing on which we feel very strongly indeed.

*Chairman.*—You think that the Board of Directors would be guided by your recommendation ?

*Sir Austen Hadow.*—To a very great extent. I cannot remember any case where we had to complain of a serious financial irregularity not being properly dealt with by a company.

*Mr. Rau.*—In this connection, I think it must be remembered that this question is one of opinion. One man thinks that a certain punishment is enough. Another might on the same facts think that it is not enough. The Railway Board would hesitate ordinarily to press the Agent to inflict a greater punishment unless they felt that what the Agent considered to be sufficient was so inadequate that it could be called perverse.

*Maulvi Abdul Matin Chaudhury.*—In the case of difference of opinion between the Railway Board and the companies with regard to the enforcement of disciplinary action, you are absolutely helpless ?

*Sir Austen Hadow.*—I think it is wrong to put it in that way. The companies would be largely influenced by the view the Railway Board took of serious financial irregularities.

*Maulvi Abdul Matin Chaudhury.*—Suppose they don't in a particular case ?

*Sir Austen Hadow.*—It is a matter of opinion very often. It is always simple to talk of punishing people but it is one of the most difficult things in the world to be absolutely just. It is very often difficult to bring the thing absolutely home.

*Maulvi Abdul Matin Chaudhury.*—Suppose you are absolutely convinced that some disciplinary action is necessary and the Board differed from you ?

*Sir Austen Hadow.*—I think we should drop the subject now. I have said enough on the subject.

*Chairman.*—I think the witness has told us that he has certain indirect powers of bringing pressure to bear on the persons concerned, which he has found in practice to be very effective.

*Sir Austen Hadow.*—During the last six years we have gone to immense trouble to show the companies that we are reasonable and that they are dealing with reasonable men. We may say that we have effected a great change in that particular way.

*Mr. Neogy.*—Your position is this—that the Railway Board possesses ample direct and indirect powers of control and if we find that any defects remain unremedied, then we must lay the blame at the door of the Railway Board and the Government of India ?

*Sir Austen Hadow.*—I would not say that we are always right and the Board of Directors always wrong. You can never go through life without agreeing to differ from some people. In any particular case, I would always hear the other side.

*Mr. Neogy.*—Don't you think that a good deal of difference has been brought about in the control that you used to exercise by reason of the fact that in the more recent contracts a clause which used to find a place in the previous contracts has been omitted, namely the clause that a contract could be terminated on the ground of mismanagement ?

*Sir Austen Hadow.*—I would not like to answer it off hand. I think in the case of the B. N. R. we are still working on the old contract except for the modifications introduced to provide for additional lines.

*Mr. Neogy.*—This clause was omitted recently when the contract was renewed ?

*Sir Austen Hadow.*—There must be some correspondence on the subject. I was not in this office at the time.

*Mr. Neogy.*—In the matter of the control exercised in England, have you any complaint to prefer that you have always to go through the Secretary of State ? I take it that you cannot directly address the Government Director ?

*Sir Austen Hadow.*—Now and then we have demi-official correspondence with the Government Director. If we want instructions to be given we have to go through the India Office. When we want information we write demi-officially to the Government Director.

*Mr. Neogy.*—Have you ever found that the Secretary of State has refused to put forward your view to the Government Director or has he acted merely as a conduit pipe ? You know by results ?

*Sir Austen Hadow.*—The Secretary of State has taken different views on some occasions. We cannot deny that. I do not think he would be doing his job if he agreed with us always.

*Mr. Roy.*—What is the procedure now ?

*Sir Austen Hadow.*—Under the organisation in the India Office our views would first of all go to the Government Director. A letter from us to the Secretary of State would be marked by the Secretary of the department to the Government Director asking him "What do you think about it". I am absolutely certain that nothing has ever gone from here which has not been seen by the Government Director. The Secretary of State has not been able to see eye to eye with us always.

*Chairman.*—You would not hold that the Secretary of State was always in the wrong ?

*Sir Austen Hadow.*—Certainly not.

794. *Chairman.*—We shall now pass on to the second question—the question of railway rates ?

*Sir Austen Hadow.*—The position here is this. If we don't give the railways control over railway rates we should find it extremely difficult to argue with them on all sorts of questions. After all they are responsible under their contracts for getting the best earnings they can. As far as rates go their inclination would be nearly always the same way as ours, that is because the whole object in view in framing rates ought to be to get the best net earnings, not the best gross earnings necessarily. Perhaps your point is that they do not give encouragement to starting an industry. If you take that line, may I refer you to what the Bengal Nagpur Railway has done for Tatas.

*Mr. Neogy.*—There also your persuasion succeeds :

*Sir Austen Hadow.*—There is no question of persuasion. It is entirely a business thing for which I believe Sir Trevelyn Wynne was mainly responsible and credit is due to the Bengal Nagpur Railway for that.

795. *Mr. Neogy.*—Take again the policy of the purchase of stores. Have you brought sufficient influence to bear on their policy in this matter also ?

*Sir Austen Hadow.*—We can only exercise influence by persuading them that it is really to their own interest. I think that is the position. It is not altogether an easy thing to do. There is a lot of inertia in all matters especially in Indian offices, if I may say so, because the inclination of the clerk there is always to do what has been done in the past. And it takes a long time to get over that. I have struggled and struggled with that for twenty years now and it gets a very tiring business. He does not think anything about policy or anything of that kind. The easiest thing for him to do is to keep to what has been done in the past. Some one, say, an executive engineer, indents on the Stores Department of a Railway for certain articles ; perhaps in the past they have always been indented for from home and the inertia which I have mentioned tends to perpetuate this. I think we are getting away from this now but I think in the past in a good many offices the first action would be taken by a clerk. The first thing he would do would be to stick to what has been done for the last 20 years, and unless the Stores Department official has got leisure enough to go through every item and say : “ Oh, I have heard that article is made in India now, you would probably get it cheaper here ”—unless he has got the time to go through every item, that is bound to happen. And the purchases are enormous : it is not just a few items. I remember a time—only 4 or 5 years ago—when certain Company-worked railways were held out to me as examples by the Acworth Committee. I remember being interviewed by that Committee. They said : “ Why don't you do what the G. I. P. Railway Company do ? Why do you send such indents Home instead of buying locally ? ” Now, I am only putting before you the other side of the picture. There was an Agent of a Company who had a bigger latitude from his Board of Directors and used to buy a great deal more in the country than the State-worked Railways who were tied down to the interpretation of the old stores rules.

796. *Chairman.*—Sir Austen, you used a phrase which I think applies both to stores purchase and to rates. What you said was really that in order to get the Companies on to your line you have to persuade them that it is in their own interests. And that really applies to the reduction of rates too. You have got to persuade them that in the long run it is going

to pay. Now, take the question of carrying salt. Supposing the Government of India wants as a matter of policy to get salt from Khewra into the Bengal market. If it was a State-owned railway we would say : " Well, you have got to run at a bit of a loss on this and carry it at a low rate so as to carry it into the market at a competitive price ". As a State-owned railway you could face the loss because after all the Government are the sole shareholders. But with a Company-owned railway you could not unless you could persuade them that in the long run it would pay. So that your position is weaker.

*Sir Austen Hadow.*—In both these cases there is the same obstacle. Because the only way we can follow a sound policy is by treating ourselves as a commercial department and looking even upon State railways as a commercial proposition. It is the only way we can live. I could give you instance upon instance of the difficulties we would get into if we once get away from that attitude. And it is a thing that we have luckily been able to do since the Acworth and Incheape Committees reported and since the Government of India considered their reports. It is instanced every day by various things.

*Chairman.*—I can appreciate your point. You say that as far as questions of that kind are concerned, you would be just as hard-hearted as the Director of a private line.

*Sir Austen Hadow.*—Yes. If we get away from that in one case like that it weakens our position enormously.

*Mr. Das.*—You give special rates for the Military Departments.

*Sir Austen Hadow.*—There are certain old agreements for these rates and unfortunately we are tied down by old contracts.

*Mr. Roy.*—Transporting salt you would not consider yourself in the light of a public utility service ?

*Chairman.*—I think what Sir Austen Hadow says is : " I am a commercial concern. Unless you can prove to me that this is a sound commercial business I won't agree to it. Of course, if the Government of India orders me to do certain things it will be done ". The line you would then take, Sir Austen, would be, I take it, that if the Government wants to subsidise the transport of salt, it should pay you that subsidy and you would regard the affair commercially. What you would object to is a hidden subsidy to an industry in the form of an uncommercial railway rate.

*Sir Austen Hadow.*—Quite.

*Mr. Roy.*—Sir, we have under several Acts given really adequate protection for the running of their services, penalising strikes on the ground that the Railway is also a public utility service.

*Sir Austen Hadow.*—Are we any more a public utility service than railways in England ?

*Mr. Roy.*—There the railways are different.

*Chairman.*—I think the answer to Mr. Roy's question is that the railway is a public utility service and gets certain exceptional powers given to it because it is engaged as a public utility service in the sense that it has a monopoly in the particular area through which it runs. Therefore, the railway will not be allowed to profiteer at the expense of the public and in this country of course there will be a howl from the Legislative Assembly

if we got above a certain level of profits. Exactly the same thing would happen in England. In fact, if once you see a railway company paying more than 7 per cent. on its ordinary shares, you may be quite certain there will be such a public agitation that it will have to come down. It will be forced into a reduction of rates. I am not speaking of it from the point of view of investors. The public utility side of the thing is taken into account, public opinion being so strong that a railway is never allowed to earn more than a reasonable rate of profit.

*Mr. Neogy.*—As a matter of fact, under the new Railway Acts in England they have armed the railway tribunals there with a definite power to fix rates at a level which is considered to be fair.

*Chairman.*—Now I think we might pass on to the next question.

797. *Mr. Roy.*—May I suggest a thing here? Perhaps the Auditor General would like to satisfy himself whether sufficient facilities exist in Company-managed lines for purposes of government audit.

*Sir Frederic Gauntlett.*—Are you referring to the size of the government Examiners' staff or to the relations between the staff and the companies?

*Chairman.*—The relations between the staff and the companies.

*Mr. Roy.*—You told me that whenever there is any difficulty your ultimate authority for an appeal is the Railway Board.

*Sir Frederic Gauntlett.*—Exactly. I should like to ask whether the question is settled as to the extent to which the government Examiner can obtain access to papers in the offices of lines worked by companies.

*Mr. Rau.*—I think I may answer that. As a matter of fact, the question was raised the year before last by the Accountant General of Railways and Mr. Parsons asked the Accountant General to let us know what particular papers he wanted which were refused so that he could try and ask the companies to give them to him. I do not think we have had a reply yet to that question.

*Mr. Roy.*—But, Mr. Rau, you know that you have statutory powers to enforce that on all railways.

*Mr. Rau.*—Under the contract we have certain powers.

*Sir Frederic Gauntlett.*—Mr. Rau, may I continue my point. That was a most surprising statement to me because this question was raised over a year ago and I was certainly under the impression that it had been more or less settled in an informal chat with me a few days ago and I was wondering whether any orders had been issued.

*Mr. Rau.*—No orders have been issued.

*Sir Frederic Gauntlett.*—This is the first time that I hear that information had been called for which has not been supplied.

*Mr. Kaula.*—That information has been supplied, Mr. Rau, and I had a discussion with Mr. Rau and the Auditor General also had a discussion with him.

*Mr. Rau.*—Mr. Parsons wanted to know what papers were required. I have not seen the file since.

*Sir Frederic Gauntlett.*—Well, the question is still at issue.



*Chairman.*—The position, as I understand it, is that Mr. Parsons asked to be placed in possession of specific grounds of complaint. Have specific cases of complaint been brought to the notice of the Financial Commissioner ?

*Mr. Kaula.*—That has been done, Sir.

*Sir Austen Hadow.*—How long ago was it sent ?

*Mr. Kaula.*—At least two months ago.

*Sir Austen Hadow.*—Well, Mr. Rau has been ill most of that time.

*Mr. Rau.*—If Mr. Kaula says he sent the file two months ago, it must be right. Probably it is in the office and has not been sent to me owing to my illness. But the question arose two years ago.

*Chairman.*—But Mr. Parsons' letter was sent a year ago and if it was a constantly recurring ground of complaint that the audit staff could not get access to documents which they require for the purposes of their audit, is it not likely that the complaints could have been made before the passage of ten months. Well, the fact remains that the first case which could be brought to the notice of the Financial Commissioner as an illustration of the failure to get the necessary documents occurred about ten months after he had been asked to tell of any cases. The position is that the Financial Commissioner says if you have any difficulties in getting papers let me know.

*Sir Frederic Gauntlett.*—We have never been told that.

*Mr. Rau.*—I think Mr. Parsons said that.

*Mr. Kaula.*—Mr. Parsons said he would like a reply to that question, and the papers were obtained from the office of the Railway Board or somewhere else but the papers were lost. Copies were obtained and within my knowledge I supplied the Railway Board's office with those copies at least two months ago. And I had a discussion with Mr. Rau too.

*Chairman.*—My point is that if this is a constantly recurring ground of complaint one would have thought it would not be the case that losing one set of papers would overthrow the argument.

*Sir Frederic Gauntlett.*—I am not suggesting that it is a constant ground of complaint because it is the first time that the question was raised within my knowledge, but it was raised deliberately as a constitutional issue and as such I asked the views of the Railway Board on it, in one test case.

*Sir Austen Hadow.*—Without saying what the test case was exactly.

*Chairman.*—May we take it that the Railway Board are anxious to be informed of any case where it is difficult to get access to papers, and agree to taking action ?

*Sir Austen Hadow.*—I won't add we will take action, until we know what the case is. After all, there are unreasonable people in every service. I do not say we are never unreasonable, but cases have arisen and I have been aware of them myself, where a Government Examiner has been unreasonable. No doubt that is why Mr. Parsons wanted to know.

*Chairman.*—When I said you will take action I did not necessarily mean that you would do at once what the particular Examiner asked but that you would take the matter up at once.

*Sir Austen Hadow.*—I can assure you, Sir, that the Railway Board are all out to help audit to fulfil their functions.

*Sir Frederic Gauntlett.*—Now, take the case, Sir Austen, which we have just been discussing. There are two paragraphs in this report prepared by the Government Examiner of the Burma Railways. The Financial Commissioner this morning gave us a statement which traversed the report on almost every particular line as regards the particular facts. The Director of Railway Audit has here a letter from the Government Examiner in which after seeing the comments of the agents he quotes chapter and verse and official correspondence in the Agent's office supporting his view. I presume you must agree, that in a case like that nothing really can be done by either you or me without agreed facts before us.

*Sir Austen Hadow.*—Certainly.

*Sir Frederic Gauntlett.*—And you will be prepared to do just as much as I am prepared to do?

*Sir Austen Hadow.*—Certainly. We are not out to protect bad irregularities.

*Sir Frederic Gauntlett.*—And if this statement has been in existence for several months and the Agent only now comes up with a new statement would you not agree that the agreed statement should be prepared at the earliest possible date?

*Sir Austen Hadow.*—Certainly. I do not see any objection to that at all. We are not out to protect people who have done wrong.

*Chairman.*—Well, having got to that point which is a satisfactory one, Sir Austen, I think we can go ahead and when a case arises let us hunt it right down to the bottom and see where the fault lies.

*Mr. Das.*—Sir, from the copy of the contract which Mr. Rau has supplied us this afternoon I find that with regard to the B. N. R., Government, the Railway Board and the Secretary of State have ample powers to compel railway agents to supply necessary papers. The only thing is the Railway Board have not exercised that function since 1925. We find that the Railway Board was not controlling the company-managed railways as regards its accounts.

*Mr. Rau.*—I hope that is not the view of the Committee. I mean Mr. Das is making a general statement that the Government did not supervise the B. N. R. before 1925.

*Mr. Das.*—But is it not a fact that all these irregularities have come out since a Director of Audit was appointed in 1925. Yes, I am talking about the audit. You are not getting sufficient financial control.

*Sir Austen Hadow.*—Financial control is entirely different from audit control.

*Chairman.*—As I understand it, it is quite different.

*Mr. Das.*—But from the irregularities that have come up before us we find that the Railway Board was not controlling these company-managed railways properly.

*Chairman.*—Mr. Das, the position, as I understand it, is this. That after a certain date the Auditor General's staff for examining the affairs of

the B. N. R. was increased and that as a result of that increase of staff a great number of irregularities were discovered which showed that in details the administration was not completely satisfactory. You infer from that that the Railway Board was not performing its functions properly. As regards financial control I do not think that the sort of financial control that the Railway Board can exercise affects these points. It is a question of the good administration on the railway itself. And probably Sir Austen Hadow would admit that the actual administration on the B. N. Railway, as disclosed by a great many of these cases, was in many of these cases faulty.

*Sir Austen Hadow.*—If I am right in understanding what he is really driving at, it is that in the equipment, I do not know of what kind necessarily, new equipment was charged to Capital instead of to Revenue.

*Chairman.*—That is one of the cases.

*Sir Austen Hadow.*—That I think is a thing in which we must depend upon audit to a great extent. But of course this I will say to Mr. Das that we have improved our checks in matters of that kind as apart from audit in the last 5 or 6 years very considerably.

*Sir Frederic Gauntlett.*—I suggest that Mr. Das's real point, Sir, is that these irregularities must have been known to the accounts authorities and to the administrative authorities on the Bengal Nagpur Railway long before they were discovered by the external audit and that nothing apparently was done on the railway or by the Railway Board in supervision over the railway to rectify the matters which were then brought to light.

*Chairman.*—Well, I suggest that the question is that the Railway Board by its supervision is unable to detect irregularities of this kind unless it has the assistance of an efficient audit staff. I do not see how, sitting out here and exercising the sort of supervision that the Railway Board does, these details can be brought to light. It is just for that very reason that you want your audit staff. And it is for that very reason that Sir Austen Hadow says he is out to encourage the audit staff in discovering these things and hunting them out.

*Sir Austen Hadow.*—That is entirely right.

*Chairman.*—After all, why do we want an audit staff any way? Because we know that unless we have an audit staff, merely by sitting at the top and passing estimates for projects and constructing the general policy, you cannot find out how every man is carrying out his job.

*Sir Austen Hadow.*—And it is the more difficult where interests are divergent. One cannot get away from the fact that the interests of a Company-managed railway and Government must at times diverge. You cannot help that.

*Chairman.*—As a matter of fact, I do not think that affects this particular point. It is just as much to the interests of the Directors of the Company to see that they get efficient management and that these irregularities do not occur as it is to yours.

*Sir Austen Hadow.*—I think, Sir, that I may say that there are differences in the capacity, personality, and various qualities of the agents from time to time, and during one agent's time the administration of a railway may get a little worse, and at other times it may get better. You

cannot expect a thing like a railway always to remain at an even level, and if the administrator at any particular time or his main officers are lax, things are bound to go down during that period.

*Chairman.*—But I take it, it is your job as the Railway Board to watch that, to watch the general way he is running his job. But it is a valuable reinforcement to you to have an audit staff following these irregularities. Then you put the two things together, your view of the man and the view as revealed by audit, and you may come to the conclusion that this agent is no good and has got to go.

*Sir Austen Hadow.*—That is undoubtedly so.

*Sir Frederic Gauntlett.*—May I point out one essential difference between Company and State railway irregularities? On the State-worked lines a big irregularity would be brought to the notice of the Railway Board at once. There is less facility for irregularities on Companies' lines coming to the notice of the Railway Board.

*Chairman.*—And therefore there is all the more reason for having a good audit staff.

*Sir Frederic Gauntlett.*—And to have more staff on the Companies than on the State Railways.

*Chairman.*—Now Mr. Neogy will you get to your second question?

798. *Mr. Neogy.*—You know one of the most important terms of the contracts on company railways is that the company should keep the undertaking quite up to the mark—good repair and things of that kind. Will you please tell us, with reference to the B. N. R., as to how the Railway Board has exercised supervision during the last few years to see that this condition of the contract is carried out?

*Sir Austen Hadow.*—You really want to know how it initiates. I have told you we depend for that partly on our touring. But our main watch is done through people that we call Government Inspectors. Now, every year an annual report on every railway is prepared by the Government Inspector. The annual report is prepared after making an inspection of the whole line; it is generally done for the most part in the company of the Agent so that things can be cleared up and the Government Inspector duly enlightened. An annual inspection of the whole railway takes a very long time—you cannot do much more than 150 miles a day.—now and then if it is not a busy line, you can do 200 miles a day. In addition to this there are casual inspections that are done at different times. The Government Inspector has also to give safety certificates on the completion of new open line works, but the annual report is the most important thing. Every year we receive in our office an annual report on every railway, which is prepared by the Senior Government Inspector, who is always an experienced engineer. In that annual report he deals with the maintenance of all the works, embankments, cuttings, bridges, permanent way, buildings, rolling stock, and things of that kind. Perhaps the weakest point is the examination of the rolling stock because generally our Government Inspectors are not mechanical engineers. Sometimes they are, but if they are not, then it is impossible to do the examination of the rolling stock in a satisfactory manner. Besides, it is an impossible task to examine all the engines in a locomotive shop or to examine all the wagons. So we have to get a certificate from the Chief Mechanical Engineer of the Railway itself to the,

effect that the rolling stock has been kept in thorough working order, and if the Government Inspector is doubtful about it he has to criticise it. We have also got a Senior Mechanical Engineer in our office to investigate any particular point. Now, what happens with the report is this that a copy of it is sent to the Agent and he is expected to send us a copy of it with his remarks on the various criticisms that the Government Inspector has made.

*Mr. Neogy.*—You mean to say that no defects have been brought to light in the case of the B. N. R. during the last few years by the Government Inspector ?

*Sir Austen Hadow.*—There are always defects ; every report contains defects.

*Mr. Neogy.*—Were those defects put right ?

*Sir Austen Hadow.*—Certainly ; we take steps to see that they are put right, and the Government Inspector has to report on them when he goes on his tour of inspection next time.

799. *Mr. Neogy.*—Next point is about the estimates. You have got elaborate rules with regard to the preparation of estimates. Are they always followed in practice ?

*Sir Austen Hadow.*—We have found cases, of course, where they have not always been strictly followed. It is a difficult thing indeed to lay down rules which can be followed in all cases. The policy also changes to a certain extent. In the old days in the case of projects the idea was very often initiated up here. We have now put the responsibility for that work on to the railway administration. At that time, the first thing that we did was an engineering survey ; now we do not do that. The first step now is to send out a traffic man to suggest how the railway line should be taken. There may be differences of opinion, which have got to be reconciled. Then the engineer is sent out ; sometimes he follows closely the traffic man.

*Mr. Neogy.*—I want to know, first of all, as to whether this delegation in favour of the individual systems has been justified by experience ?

*Sir Austen Hadow.*—It does not work the same in all lines, of course. We have found that some Agents are very much alive to the possible developments, others are not. It also depends a very great deal on the helpfulness of the local Government. The general attitude of the railways varies enormously. If you will look at the Punjab, you will understand why we have been able to get on so well there. The reason is that both Sir Malcolm Hailey and Sir Geoffrey deMontmorency have made a special point of recognising that they cannot go on in their province without railway development.

*Chairman.*—That encouragement and friendly attitude of the Governor of the Punjab towards the railway construction has sometimes led to rather optimistic estimates also ?

*Sir Austen Hadow.*—We have had one or two cases in this Appropriation Report where estimates have proved to be entirely faulty or where projects have been started without the proper rules having been observed. But I do not think it occurs often. We do admit that in the case of the Kangra Valley Railway we did not start with detailed estimates. The Kangra Valley case was an inevitable exception. There we departed from

the rules ourselves and *ipso facto* we expected the railway also to depart from these rules.

*Chairman.*—You would admit, then, that it is an unfortunate incident.

*Sir Austen Hadow.*—Certainly. At the same time, you must put beside it the good examples that there have been in the Punjab. It is one bad case against 10 good ones.

*Mr. Roy.*—Will you tell us something about the Khyber Railway ?

*Sir Austen Hadow.*—It was originally started directly under the Railway Board. When it was initiated the N. W. Railway was so busy with the Afghan War that they thought it inadvisable to put it under the Agent of that line. The original estimate for that line came to 175 lakhs. It was a scheme for which the estimate had to be prepared under extreme difficulties. It was considered a matter of great urgency and the Engineers had to do their survey work, protected by guards, with the probability of being sniped at any time. Consequently it would have been a very difficult thing to expect that the estimates would be as good as they would be in an ordinarily peaceful country. Moreover, the country was extremely difficult. I doubt very much, whether, even if it had been absolutely peaceful, you could have expected the estimates to be at all accurate within 10 per cent.

*Chairman.*—What is the net result now ?

*Sir Austen Hadow.*—The net result now is 300 lakhs as against 175 lakhs.

*Chairman.*—We would like to know what you have got to say on these two cases in a general way. I take it you regard them as exceptional cases and you do not defend them ?

*Sir Austen Hadow.*—I do not defend either but as I say in all these cases you have got to take into account what there is to be said on the other side. After analysing the Khyber case we came to our conclusions last year and we communicated our views to the N. W. Railway. There were two officers and four subordinates whom we blamed. We did not know whether the 4 subordinates were still in service or not because they were temporary hands ; so we left them entirely to the Agent. They were not, however, chiefly to blame ; it was the officers who were to blame. There was something more than that. There was inadequate supervision and the man who was responsible for not providing that adequate supervision was the man of genius who really designed the line. I am absolutely satisfied that he put upon these men more than they could possibly have carried out. I do not suppose any one of you realises the difficulties we had with these tunnels. One of the lessons that we have learnt from that construction is that we must have a complete investigation of such country by a geological expert before any work begins. That lesson however came too late for the experience of the Kangra Valley. In the Khyber Railway case the geological expert pointed out the very difficult strata we had made this railway through and he proposed certain safeguards which he thought would make the thing safe.

*Chairman.*—You would have had a more accurate estimate from him ?

*Sir Austen Hadow.*—He was not in a position to make estimates ; he was only in a position to show some of the difficulties. We have however learnt this lesson from it that the geological expert in a case like this must be brought in in a very much earlier stage.

*Chairman.*—What about ordinary construction ?

*Sir Austen Hadow.*—The other examples that I have mentioned on the North Western railway are a justification for saying that in a plains country like the Punjab we can get accurate enough estimates without the waste of time and money that we should incur if we went in for preparing detailed estimates beforehand in such cases. There is a large waste of time and money if we prepare the latter from the beginning.

*Chairman.*—Quite so ; but is it necessary to have detailed estimates ?

*Sir Austen Hadow.*—Yes, most certainly. That is one of our stipulations.

*Chairman.*—What object does it serve ?

*Sir Austen Hadow.*—To enable the audit to keep a check on expenditure.

*Chairman.*—But the Auditor General suggests that the preparation and completion of a detailed estimate after the railway has been built is a sheer waste of time and money ?

*Sir Austen Hadow.*—I think so too. We intend to see the detailed estimates prepared earlier, that is before the works are commenced. I may say at once that we have not had much help from the audit in this direction. The audit, for the first time, brought to the notice of the Railway Board the fact that certain projects were being carried out without detailed estimates, after the lapse of eighteen months or so after the projects were started. Surely the audit might have found that out much earlier than 18 months and thus helped the Railway Board.

*Sir Frederic Gauntlett.*—That statement is being made repeatedly. I would supply the Committee with a copy of the letter of the Chief Auditor which we received on that question, and I would ask the Committee to defer their judgment on this question till then.

*Sir Austen Hadow.*—I do not want the Committee to prejudge.

*Chairman.*—You yourself must have known that a project has been started without detailed estimates ?

*Sir Austen Hadow.*—We did not know at all. The detailed estimates do not come up to us unless they are very seriously in excess or in fact more than five per cent. in excess over the abstract.

*Chairman.*—Are you satisfied with that ? I mean, is it not possible for you to adopt a practice like this : that the Railway Board will be responsible for seeing in what cases detailed estimates may be dispensed with before construction commences ?

*Sir Austen Hadow.*—We do not propose to do away with detailed estimates at all. What has happened in these cases has resulted from an attempt which was started about five or six years ago to feel our way to some extent, so as to enable us to avoid unnecessary expenditure in the preparation of projects and to get them through much quicker.

*Chairman.*—Who is going to be responsible for saying that you must start such and such a project without detailed estimates ?

*Sir Austen Hadow.*—We do not propose to give them power to start a project without detailed estimates.

*Chairman.*—You always know of cases where they do start without detailed estimates ?

*Sir Austen Hadow.*—There must be exceptional cases. You cannot help that in the case of new project works on open lines.

*Chairman.*—Can you not lay down a rule that no project requiring sanction of the Railway Board should be constructed without detailed estimates ?

*Sir Austen Hadow.*—That comes under what I am going to tell you. The point is this : What we do is that a survey is first made, as was said by Mr. Neogy, on which they prepare an abstract estimate which has to go through the hands of various people before it is sent to the Railway Board. We examine the report to see whether the prospects of such and such a project are reasonably good. If on examination the Railway Board finds that the project shows a poor return, then the Railway Board turns it down. If on the other hand the project looks promising, the next step that the Railway Board takes is to put it before the Standing Finance Committee if it deems fit to do so and after satisfying itself by making further enquiries on the project. If the past experience of a railway which sends a project is good, then the Railway Board relies on their abstract estimates with due regard to the sort of country through which the line goes and the Railway Board in such a case does not insist on a detailed estimate being prepared before it is put before the Standing Finance Committee for its sanction. The first thing that the Railway Board does then is to sanction what is called a final location survey which generally takes, unless the project is a very short one, an important part of the cold weather. The new thing that we propose to introduce is this : we shall say that a detailed estimate has got to be prepared, while you are doing your final location survey and the estimate has got to be sent up here before the project is started. That is the new thing which we propose to introduce, and we do not think that will really cause waste of time. That was not done in the recent past. In the first instance, we did not even prescribe exactly the sequence of events. From our experience we began to know how these things could be tackled better. One of the great difficulties that has arisen during recent years was the acquisition of land and this question has become more and more difficult all through India. This was partly because our reformed procedure about the abstract estimates was introduced. But we do not allow every railway to propose a project based only on abstract estimates. It is only in certain railways we accept the abstract, because we do not think the others have got the organisation or the experience to do it.

*Chairman.*—As I understand it, your ordinary procedure would be that construction would not start before you got detailed estimates. Detailed estimates will be the normal course.

*Sir Austen Hadow.*—That is the ordinary sequence to the final location survey which has to be done.

*Chairman.*—You cannot start your work until you have done final location survey, so detailed estimates will proceed *pari passu* with your location survey ?



*Sir Austen Hadow.*—Yes.

*Chairman.*—So that the normal course is that no project will start without detailed estimates.

*Sir Austen Hadow.*—Yes.

*Chairman.*—It comes back to what I said before. Now, you will know at once whether a project has been started without detailed estimates, because it will mean departing from your own authorised procedure ?

*Sir Austen Hadow.*—That will be so, but these orders have not yet been issued.

*Chairman.*—When will they issue ?

*Sir Austen Hadow.*—They will issue now.

*Chairman.*—That will mean that what happened in the Punjab will not happen again and it will also mean that you do not require the audit to call your attention to the fact that a project has been started without detailed estimates ? You will yourself know it immediately ?

*Sir Austen Hadow.*—Objection statements will be there. But this does not affect the Kangra Valley project because there we ourselves departed from our own rules.

*Chairman.*—I quite agree. What you tell us covers construction of railways. But there are other forms of projects.

*Sir Austen Hadow.*—You mean open line works.

*Chairman.*—Remodelling of a railway yard, extending or repairing a workshop and so on. In all these cases, will the same rules apply, namely that no project may be started without detailed estimates ?

*Sir Austen Hadow.*—That is the rule now over all open line works. Of course there must be exceptions to this rule. Supposing we find something happening to a bridge. Surely then we should not wait for a detailed estimate before repairing the bridge.

*Chairman.*—That is an emergency work.

*Sir Austen Hadow.*—These are works which have to be treated as exceptions.

*Chairman.*—Starting of a project without detailed estimates really only applies to construction of new lines.

*Sir Austen Hadow.*—It really was not authorised there. We did not mean it to be done except in the case of Kangra Valley Railway.

*Chairman.*—Your present new procedure which you propose to issue will make it impossible that it should recur again ?

*Sir Austen Hadow.*—Yes.

*Chairman.*—I think that clears up the position.

*Sir Frederic Gauntlett.*—I want to say a word on the point of information given by the audit. Information was given by the audit to the Agent of the North Western Railway regularly, but whether it came up here to the Railway Board or not, I cannot say without reference to records. But it was actually supplied to the North Western Railway. The other point is—and I do not think Sir Austen Hadow meant it—that detailed estimates

were required for audit purposes. I suggest that it is exactly the other way round, that the detailed estimates, if they are required at all, are required for purposes of scrutiny by the executive and the administrative authorities of the company or the line. The audit merely helps them.

*Chairman.*—I say that the detailed estimates are required for people who are exercising financial control. I think Sir Austen Hadow's point was a different point. I asked him why he prepared detailed estimates when the project had already finished. In that case he prepared it because the audit wanted it.

*Sir Frederic Gauntlett.*—I should say that the audit does not in the least require them.

*Chairman.*—We have got away from that. Detailed estimates must always be prepared before work is ordered to be started.

*Sir Austen Hadow.*—These orders do at present exist and we have not yet cancelled them. We are never supposed to depart from those rules except in particular cases, such as the present Kangra Valley case.

*Mr. Neogy.*—Having regard to the time that we have already taken in regard to this question, I do not propose to put the other questions given notice of by me. It is enough if Sir Austen Hadow prepares notes on the other questions and circulate them to the members so that the sub-committee which is going to sit next week may have the benefit of those notes in its investigation of the railway cases.

*Sir Austen Hadow.*—I have got no notes written on those questions at present. I intended to answer them *ex tempore*.

800. *Chairman.*—The suggestion is that instead of examining you on these questions, we would be very glad if you would prepare notes on these questions, such as the policy of the Railway Board in regard to the railway collieries and so on. In the report before us we have been told that a certain railway colliery was closed down. Is that the accepted policy of the Railway Board?

*Sir Austen Hadow.*—The answer is simple. We develop the output of our collieries now according as we want to use them to control coal prices.

*Chairman.*—The attention of the Committee has been drawn to para. 123 of the Report. Surely the Railway Board can give us a note on this paragraph.

*Sir Austen Hadow.*—Yes.

801. *Chairman.*—Col. Kirkhope of the Indian Stores Department told us the other day that he had encouraged and made it possible for an Indian factory to make certain iron castings for one of the railway projects which was recently started?

*Sir Austen Hadow.*—I give every credit to Col. Kirkhope. Our Engineers lately got steel castings weighing I believe 14 tons and I was really surprised to hear that it had been done in India. He deserves every credit for that.

*Chairman.*—So, he has done something to encourage Indian industry?

*Sir Austen Hadow.*—Yes, in that steel casting industry particularly.

802. *Chairman*.—That brings us on to the question of stores purchases of Railway Board on which Colonel Gidney wanted to put certain questions. Do you consider the Stores Department of the railways effieiently administered ?

*Sir Austen Hadow*.—We consider that the Stores Department is improving every day. We have not been quite satisfied in the past ; we recruited the right kind of men for our Stores Department. We have made a great change in the policy and this was recently laid down in a certain report of the Railway Board which is now being followed up. The main feature of that policy as affecting the present question is that we bring in technically trained men, civil engineers, mechanical engineers, etc., into the Stores Department instead of recruiting rather promiscuously in the market as was often done in the past. We get technically trained men. We raised the status of the Chief Controller of Stores with the aim and object of getting a better man into it than had been attracted to it before and it is undoubtedly having its good effect. As regards the Indian Stores Department, our policy has been, ever since it started, that we would go to them whenever and wherever we saw an advantage to us in doing so.

803. *Chairman*.—Colonel Kirkhope told us that the Indian Stores Department could not pay its way unless practically the whole of railway purchases were put through them ?

*Sir Austen Hadow*.—That is about 36 erores.

*Chairman*.—He said 8 erores.

*Sir Austen Hadow*.—I do not know what he meant by that. We make purchases to the extent of 36 erores. The position is this : we are prepared to hand over to him anything we think there is an advantage in doing so. But we have got to keep our own stores organisation. We cannot get away from them and in a very large number of cases they are in a much better position to buy for us than before. But that position is altering every day, because we are introducing standards of all kinds, new stores standard specifications, standard sizes and everything else. The more that develops the more possible will it be for the Indian Stores Department to handle our work with advantage to us. Last year we handed over to them a list of additional classes of things we could buy through them. Among others, they are oils, paints, cotton waste and so on. We have now been told that they have got instructions to purchase all the wire for the Telegraph Department. That will influence us very largely in placing all our demands for wire with them because they will become a very big power in the matter of wire and we shall probably get much better prieses. Therefore it would be advantageous for us to place an order for wire through them. I would say in answer to the question whether I would recommend that the Stores Department of the railways should be closed down except for minor local purchases, that it is not a possibility.

*Chairman*.—It may not be an immediate possibility.

*Sir Austen Hadow*.—It is never a possibility ; besides purchase they have got many other functions.

*Chairman*.—The request in that particular question goes too far. But I would like to put to you the general point of view. We, of course, quite recognise your point of view that in running a commereial show, you cannot be expected to utilise the Indian Stores Department unless it is

to your advantage to do so. Of course the Government of India may have a different point of view. It may be for example, that if you are buying—taking any large standard article that you are buying—lubricating oil for the prices at which the Indian Stores Department can purchase for you, you have to add on to that 2 per cent. which the Indian Stores Department charges as commission. That may not be so favourable as your own prices. Supposing the Indian Stores Department by getting your purchases can make in profits a full 2 per cent. Taking the point of view of the Government of India as a whole, it would pay them to make that purchase although it might not pay you. Naturally the Government of India would look at that from the point of view of the whole Government and probably in the end an increase in the business of the Indian Stores Department would enable it to reduce its commission and even your department might directly benefit. What I really want to know is whether you think it feasible that some arrangement should be made particularly as regards the big purchases that the railway should for the time being agree to pay the slightly higher charge in order to give business to the Indian Stores Department and thus give it a chance of building up its business and getting on to a really paying basis.

*Sir Austen Hadow.*—We are going on and we are quite prepared to consider every year, or every six months what more we can advantageously give to the Indian Stores Department. But I think we shall get on to dangerous ground if we depart from our own view of the matter because it is not only a matter of commercial sense, but also it is the responsibility that has to be placed on our officers and the feeling that they are not possibly being treated fairly. When they feel like this, they will visualise the possibility of some of them being sent about their business because there is not work enough for them to do. If you create such a feeling in the Department, that is very bad for the administration and they will feel that you are bolstering up one department at the expense of another. I only put that as a possibility. I am quite prepared to go on adding to our orders through the Indian Stores Department year by year. Or we can even consider every six months. I have already said it will now be advantageous for us to purchase wire through the Indian Stores Department. We have given them oils and cements.

*Chairman.*—Your attitude is that it would be a bad move for the Government of India to issue a general order saying that you have always got to make your purchases through the Indian Stores Department, because as each article comes up, you are quite prepared to go into it and I might go further and say, that you might even be prepared to pay a slightly higher price if by doing so, the chances are that the Indian Stores Department might ultimately improve their position. You take a long view of the matter?

*Sir Austen Hadow.*—I would like to say that we had the curiosity to enquire not very long ago what the South African Railways did on this point, because we read in some commercial journal that there was one Agent for the whole of the S. A. Government purchasing business. We wrote to the General Manager enquiring what he did about railway purchases. He said: “we are not included in this. I have got control over my own purchases and go to the Government purchaser whenever I think it is advantageous to do so.” They are evidently actuated by the same principles as we have been working on here. It is rather a useful support for us.

*Chairman.*—He did not tell you what volume of business he put through ?

*Sir Austen Hadow.*—It was indicated that it was not an extraordinary amount. Here in India two-thirds of our purchases are included under four or five big categories of stores, of which the biggest is rolling stock. We control those purchases here and we should in no case go to the Indian Stores Department for the purchase of our rolling stock.

*Chairman.*—No, it has never been suggested at all.

*Colonel Gidney.*—I am much obliged to you Sir Austen. But outside all sentimental reasons, I put a picture to you. You have in Calcutta the termini of three railways. You have in Bombay the termini of two railways. In Delhi you have a lot of railways. We will take Calcutta, I think you will agree with me that the stores department of one railway at least did not acquit very creditably ?

*Sir Austen Hadow.*—Quite right.

*Colonel Gidney.*—You have that position there. What is there to prevent the Indian Stores Department from supplying all the things which these three railways want at Calcutta from a central supplying depot.

*Sir Austen Hadow.*—That might be possible.

*Colonel Gidney.*—Then you can reduce your staff ?

*Sir Austen Hadow.*—We do not want to reduce our stores organisation staff much.

*Colonel Gidney.*—Then would you give me your opinion on the point whether it would not be more advantageous if the Indian Stores Department had supplied all the stores to all the three railways at Calcutta ?

*Sir Austen Hadow.*—They are in a better position in Calcutta than in many other places, because it is their centre.

*Colonel Gidney.*—The Legislative Assembly is very desirous of encouraging the Indian Stores Department as it is its pet child. I ask you whether it is practicable for the Railway Board to help the Indian Stores Department by making all its purchases through them ?

*Sir Austen Hadow.*—I am absolutely ready, and as a matter of fact we have considered already the question of buying in Calcutta. We have not considered it exactly from the point of view of handing it over wholesale to the Indian Stores Department, because I do not think it would work efficiently. In fact, the Indian Stores Department did say they could not undertake it. All I am saying is that the Indian Stores Department has a great advantage at Calcutta and we are not quite in the same position there. We have only one State railway centre in Bombay and in Calcutta we have got two. As regards company-managed railways, as I already remarked in a recent file, I do not believe in "bludgeon" methods to compel them to make all their purchases through the Indian Stores Department. I want to get them to buy in that way in cases where it can be shown to be advantageous to them. We have made a good deal of progress in that respect, but I do not want to antagonise all these companies by insisting on their doing a thing which is not provided for in their contracts. They are entirely responsible for their purchases.

*Colonel Gidney.*—I am pressing my point about Calcutta with a particular object. I am only confining my remarks to the two State Railways. I take it that it is quite easy to establish one supply depot for these two State Railways in Calcutta under the control of the Indian Stores Department to supply everything you want ?

*Sir Austen Hadow.*—That would be a little bit difficult and I will tell you why. You want depots all over the place. In every place where there is a workshop you must have some sort of a depot. Largely that depot is fed by the things that the railway makes itself ; and this is a thing which we insist on in our recent policy as regards stores that things that are made in our own workshops shall not be used on the spot in that workshop but shall be passed through the stores because otherwise there is room for malpractices. These manufactured articles are handed over to our Stores Department and they are then issued out. Therefore it does not amount to having one central depot in the middle of Calcutta, say at Howrah or Sealdah. It would extend to various places on the two railways where there would have to be Stores Department men under the control of the Agent.

*Colonel Gidney.*—Of course I referred to the large matters, such as, tarpaulins, cotton waste, wagons and locomotives, etc.

*Sir Austen Hadow.*—As regards wagons and locomotives, etc., I have told the Chairman just now that we have no intention of passing on our responsibilities as regards rolling stock to anyone else.

*Chairman.*—I think short of going into very great details about stores we have got a very good general picture of the situation.

*Sir Austen Hadow.*—I hope the Committee are satisfied that I am perfectly ready to extend our use of the Indian Stores Department up to certain limits and as far as it can be to our advantage. I am quite satisfied that as it is being worked now it is an efficient organisation and I am quite prepared to place orders with them if Colonel Kirkhope can come and satisfy me with a list of the things which he can do. I cannot of course say straightaway that I will place my orders with him and in some cases I should have to consult the Railways. I might agree to this that for the first year or for the first two years railways should be asked to place half their orders for a certain article with him and half their orders on their own system and see which paid them best. It is a fair way of doing it. It gives the Indian Stores Department every advantage because when it gets an amalgamated order it can place a bigger thing on the market than the individual railway ; therefore I think it is a fair way to do it.

*Chairman.*—I think this is a very valuable suggestion.

*Colonel Gidney.*—It may be that your stores would get mixed up and you would not know which was better.

*Sir Austen Hadow.*—That might be. I am assuming that the stores delivered would be of equal quality because we do not hand over anything to the Indian Stores Department without a specification attached to it. There is a little difficulty about cotton waste in that respect because every railway uses different kinds of cotton waste. But what I meant was that whether they paid more or less for the 50 per cent. that they bought through the Indian Stores Department or for the 50 per cent. that they bought themselves, I think it is a fair test and it gives the Indian Stores Department every advantage. I should also like to draw your attention to

Appendix XII of the Indian Stores Department Administration Report showing the great extent to which we support them with inspection payments as opposed to actual buying. So in any case whether we buy through them or not we place with them all sorts of orders for inspection.

*Sir Frederic Gauntlett.*—Would you still be prepared to get them to do your inspection work in cases where you have no adequate staff yourself ?

*Sir Austen Hadow.*—We do it now and we shall never think of withdrawing it as long as it is efficiently done.

*Mr. Neogy.*—Who used to do this inspection work for you before ?

*Sir Austen Hadow.*—We were instrumental in starting that big Test House in Calcutta. We are not against the Indian Stores Department at all. In fact we appreciate them. But those steel castings that I saw in Calcutta were rather a revelation to me.

*Mr. Rau.*—I think we can say that we are the largest customers for their inspection at any rate—the value averages 3 crores.

804. *Chairman.*—Before we conclude this examination, Sir Austen Hadow, I should like to thank you on behalf of the Committee and I should just like to refer to one thing. When we were discussing the position of the Government Examiners particularly in relation to State-owned railways we got to the conclusion that you recognise the great value of their work in helping you to perform effectively your own functions.

*Sir Austen Hadow.*—Certainly, we never question that.

*Chairman.*—What I want to say is this,—and it is a thing which is felt very much by this Committee,—that when the Government Examiners do detect financial irregularities they do expect the Railway Board to take immediate and adequate action upon them.

*Sir Austen Hadow.*—The only thing that I object to is the word “immediate”. We must hear the other side.

*Chairman.*—I would call that immediate action.

*Sir Austen Hadow.*—That is all right then, but these things do take an extraordinarily different aspect when they are put to you from the other side of the picture.

*Chairman.*—I am sure we all appreciate that.

*Sir Austen Hadow.*—But many people do not appreciate that and I think it is necessary to remember that a great many people both on the audit side and the engineering side do not take the trouble to appreciate the other side.

*Chairman.*—The audit side are the counsel for the prosecution, as it were.

*Sir Austen Hadow.*—There are ways and ways of doing it and I would not like you to go away with the idea that the audit staff are always perfect and the other side are all bad.

805. *Mr. Mitra.*—I think I carry an impression that after the separation convention the Railway Board think that it is their only duty to see the largest net gain and not to look to any other higher policy ? Is that so ?

*Chairman.*—No, I think the Railway Board would say that they recognise that they are a public utility service and that one of their duties is to work the railways so efficiently that it is possible to effect rate reductions so as to make the railways pay. They have to pay a certain dividend to the Government as shareholders and they also have to pay a share to the public in providing the cheapest possible transport facilities.

*Mr. Mitra.*—I think I understood Sir Austen to say that there are other people to look after the general interests of the country. Supposing by lowering the rates a bit we lose a certain amount, but it will be a great boon to the people of India as a whole. In that case will the Railway Board be guided only by the question of the net gain or will they consider other questions as well?

*Sir Austen Hadow.*—I think there is fairly good evidence in the budget speeches which have been made in recent years that we do pay attention to these other things. At the same time we consider that the best benefit is obtained by reducing our cost of working and lowering the rates in order to encourage traffic, still keeping our dividend, as you may call it, the same. That is the greatest gain to the greatest number. But the whole of our budgets and everything else show that we do take public considerations into account in ways which do not bring in any immediate financial return. References were made particularly in Sir George Rainy's budget speech this time about improving the conditions of the staff. I may say that for the last 4 or 5 months a very large portion of my time has been devoted to the consideration of various ideas in that way, so that we are not bound down to the very narrow view that net gain is everything. Net gain must be qualified by a reasonable consideration of all sorts of things. But of course we look to the ultimate good of ourselves as well.

806. *Maulvi Mohammad Yakub.*—Is it a fact that the Railway Board are not exercising proper control over the administration as they ought to and that the Agents have been made more or less autonomous?

*Sir Austen Hadow.*—We have given them more powers designedly because we consider that we have got bigger functions to perform up here than undertake detailed control.

*Maulvi Mohammad Yakub.*—Do you think it will lead to efficiency in administration?

*Sir Austen Hadow.*—I understand that a statement was made in the Committee here that the administration of the railways is very bad, in fact seriously bad. I protest that a statement like that should not be made without proper examination and I welcome any investigation to prove the contrary.



**Evidence taken at the seventeenth meeting of the Public Accounts Committee held on Saturday, the 24th August 1929, at 11 a.m.**

**PRESENT.**

- |  |                             |
|--|-----------------------------|
| (1) The Hon'ble Sir GEORGE SCHUSTER.                                     | <i>Chairman.</i>            |
| (2) Mr. T. A. K. SHERVANI.   | } <i>Members.</i>           |
| (3) Mr. B. DAS.  |                             |
| (4) Mr. S. C. MITRA.   |                             |
| (5) Kumar GANGANAND SINHA.   |                             |
| (6) Maulvi ABDUL MATIN CHAUDHURY.  |                             |
| (7) Mr. K. C. NEOGY.   |                             |
| (8) Maulvi MOHAMMAD YAKUB.   |                             |
| (9) Mr. K. C. ROY.   |                             |
| (10) Lieutenant-Colonel H. A. J. GIDNEY.                                 |                             |
| (11) Sir FREDERIC GAUNTLETT, Auditor General.                            | } <i>Were also present.</i> |
| (12) Mr. J. E. C. JUKES, Controller of Civil Accounts.                   |                             |
| (13) Mr. A. C. BADENOCH, Director of Commercial Audit.                   |                             |
| (14) Mr. O. A. TRAVERS, Accountant General, Central Revenues.            |                             |
| (15) Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department. |                             |
| (16) Mr. B. NEHRU, Deputy Auditor General.                               |                             |

Mr. E. BURDON, Financial Secretary.

*Witness*

**GRANT 25—Interest on Ordinary Debt.**

807. *Chairman.*—Paragraph 31 of the Auditor General's letter—Grant No. 25—Interest on Ordinary Debt and Reduction or Avoidance of Debt—(a) Page 120—note A.-1. The Public Accounts Committee may like to enquire the circumstances in which the payment of Rs. 3 lakhs was made on the 30th March instead of the 1st April, 1928.

*Mr. Burdon.*—The circumstances are similar to those of the case which I think the Central Board of Revenue explained to the Committee. The Deputy Controller of Currency, Northern India, issued instructions to the Agent, Imperial Bank of India, Agra, to pay the amount on the 1st April, 1928, but as the 31st March and 1st April were holidays, the amount was actually paid by the Bank on the 30th of March.

GRANT 26—*Interest on Miscellaneous obligations.*

808. *Mr. Burdon.*—The expenditure under this head is watched by the Accounts Officers concerned and additional allotments or re-appropriations are sanctioned by the Finance Department at the request of those officers. The Auditor General has promised to take necessary action as regards D.-1. As regards paragraph 32 (c) of the letter these items are the concern of the Accountant General, Posts and Telegraphs, and the Finance Department will issue instructions to him. The explanation of the mistake referred to in paragraph 32 (b) will be given by Mr. T. K. Rajagopalan.

*Mr. Rajagopalan.*—It is a clerical error on the part of the Pay and Accounts Officer, Secretariat. He foresaw that provision was necessary, only he asked for it under sub-head (E) instead of under sub-head (D). That explains the difference. In future he has promised to be more careful. That mistake could not be discovered in time because all the adjustments on account of interest are made in March final accounts, several months after the close of the year. It was really a clerical error.

GRANT 67—*Currency.*

809. *Chairman.*—Paragraph 54—Page 323. “ I endorse the remarks of the Accountant General in the penultimate sentence of sub-paragraph 1, and in sub-paragraph 2. It seems that a larger cut for probable savings would be justified. It is noticeable that several excesses over sub-heads remained unrectified.”

*Mr. Burdon.*—If it would interest the Committee either now or at some other proper occasion I should like to make a few general remarks on the subject of inaccuracy in estimating. So far as this particular matter is concerned, all that I can say is as follows :—As regards the remark of the Accountant General, Central Revenues, that the gradual improvement during past years has not been maintained in the year under report, it may be mentioned that out of the saving of Rs. 3,63,911, Rs. 2 lakhs is due to special rebate given by the Bank of England on the contract price for currency notes printed by them. The India Office knew about this only at the end of February, 1928, and we received the information in April, 1928. Excluding this special item, the saving amounts to only Rs. 1,63,911, a saving of 2.2 per cent. which I think is a slight improvement over the previous year. The Auditor General remarks that several excesses over sub-heads remained unrectified. Actually, the excesses unrectified were as follows :—

A.-1.—Non-voted. Rs. 89 due to disbursement of pay for March in March owing to leave being taken out of India.

B.-5.—There is an excess of Rs. 152 due to accounts adjustment after the close of the year.

C.-2 and C.-3.—There are two large excesses, one of Rs. 5,658 due to additional expenditure on travelling allowance on account of staff recruited in England and the other is Rs. 2,489 due to provision made erroneously under C.-4.

D.—Madras—Rs. 6,647 was due to larger remittances of treasure towards the close of the year.

H.—Rs. 128. The actual expenditure on the purchase of a site for the erection of the Lahore Currency Office building was Rs. 6,01,128 and the additional allotment which we obtained from the Assembly was Rs. 6,01,000 in round figures. The difference of Rs. 128 is accounted for in this way.

Items A-1 and B-5 are very small amounts which I believe the Committee will agree might be ignored. C-2 and C-3 occurred in the Currency Note Press at Nasik and I think they are probably ascribable to the fact that the Press was a new institution. The excess under D must be due to unforeseen causes—larger remittances of treasure towards the close of the year. It is a thing which it is not always possible to control.

810. *Chairman.*—I think we might take this occasion to hear what general remarks you have to make on the question of inaccuracy of estimating.

*Mr. Burdon.*—I am speaking not only of the Finance Department estimating but the estimating of other Departments also. It might interest the Committee to know that when I returned to the Finance Department about two years ago, after an absence of several years, I found that notwithstanding the additional liabilities arising out of the reformed constitution, the Legislature, the Public Accounts Committee and the Standing Finance Committee, the Department was still working with a temporary Budget Officer, for five months in the year only, and the moment the Budget was launched at the end of March, the Officer who did the work of Budget Officer, reverted to his permanent appointment of Under Secretary or Assistant Secretary as the case might be. He then started to do ordinary case work, cases arising out of the Civil Service Regulations and the Fundamental Rules, expenditure cases, etc. He gave such time as he could physically spare to any Budget work that came up, the preparation of the four-monthly estimate, financial notes, or anything of that kind. Then, at this time of the year, he became Secretary of the Public Accounts Committee and I personally regard it as most important that the Budget Officer should be Secretary of the Public Accounts Committee. After all, the essential function of the Budget Officer is estimating, and he has got to get his estimates conform to actual expenditure and he has got to be in a position to investigate discrepancies between the two. Now, the work that is done in the Public Accounts Committee is most valuable in focussing discrepancies between estimates and actual expenditure, and the observations of the Public Accounts Committee must of course necessarily be the guide to rectification in the future. After he had done the work of the Public Accounts Committee, then in a month or two, he went back and sat down to do his work as Budget Officer, which means hard work during the whole of the cold weather. He is relieved of case work except case work relating to things like taxation, currency matters, ways and means, etc., which have an effect upon the Budget. He has done the work of Secretary to the Public Accounts Committee and then he has gone back to his Budget work. I should like to say further, that in the past it has been amply proved by experience that the work which has devolved upon the Budget Officer is far too much for him. By the kindness of the Standing Finance Committee and the Legislature I was able to introduce a reform last year by which the Budget Officer was made a whole-time officer, so that, now, after the Budget has been launched, he could devote a certain amount of attention to watch the operation of the

Budget throughout the year and to test the accuracy of his own calculations. He still has to do the work of Secretary to the Public Accounts Committee. So far, everything works all right ; but then he has got to go back to do his Budget during the cold weather. One of the purposes I set down when I asked for the appointment of a whole-time Budget officer was that that officer should have leisure to examine the process of estimating in the original estimating offices. It seems that that is a very desirable thing to do, and I think the Committee will realise from the account I have given of the various duties that have to be performed that it is hardly practicable, even for our whole-time Budget officer, to go round these estimating offices to find out and co-ordinate their work, and yet, I believe it to be a very necessary thing to be done and I do not think that you can cure this evil which appears all over the place in these Appropriation Accounts, unless you attack it by some practical method such as that which I have suggested. The formulation of principles, the issue of *a priori* instructions, is not really going to get at the desired result. I think the Committee will appreciate that it is almost inevitable that there should be great differences between the ways in which different people estimate. Some people are naturally temperamentally optimistic, others are the reverse, some are more careful than the others, some may organise the collection of their information better than others, some people study the matter more scientifically than others. I feel that if you could get the co-ordinating officer going round and having a conference occasionally with the estimating officers in order that they might exchange experience, that that would be the way to improve matters. I thought the Committee might be interested to hear my views on the subject.

*Chairman.*—So far, we have not had the full benefit of the whole-time Budget Officer. In this particular year, as a result of heavy work, Mr. Shankar Rau has had to go on 4 months' leave. We have not got him with us now. When he comes back fully refreshed from his leave, next year we shall have the full advantage of the whole-time Budget Officer, which we have not yet had. Do you think, from your experience, that a whole-time Budget Officer, when he settles down to his work, would be able to perform the task which you have in view ? He may have more work to do at the beginning, but when we get things in working, will he be able to go round the various offices and personally deal with the estimating officers and co-ordinate their work and see that every one is applying the same tests to his estimates so that we can rely on a uniform standard of accuracy ? Do you think he will be able to do all that work ?

*Mr. Burdon.*—Frankly, no. As things work out, the Budget Officer is going to have a free month in the year when he is not exhausted by the Budget work itself—a month to work it in. I do not think one month would be enough. Will it be, Mr. Sanjiva Row ?

*Mr. Sanjiva Row.*—I do not think it will be enough.

*Maulvi Mohammad Yakub.*—Besides his being relieved of his other duties, what do you propose to do ?

*Mr. Burdon.*—I regard a whole-time Budget officer as an absolute necessity. You cannot do without it. That is a permanent necessity.

*Maulvi Mohammad Yakub.*—You think the whole-time Budget Officer will not be able to go round ?

*Mr. Burdon.*—It will be a mere pretence on my part if I were to say that he can do it.

*Maulvi Mohammad Yakub.*—What do you propose then ?

*Mr. Burdon.*—As an administrative arrangement, what I would do myself is this. I would put in another officer with proper qualifications—we should have no difficulty in finding one—and make him Assistant Budget Officer for the cold weather. I would make him sit here in the Public Accounts Committee helping the Budget officer. The Budget Officer has got to be here. He has got to see where the estimates have gone wrong. The Assistant Budget Officer will sit here during the meetings of the Public Accounts Committee, take copious notes, and take directions afterwards from the Budget Officer and then go on tour during the greater part of the cold weather, and then come back and give his results to the Budget Officer. He can then sit back and have a look at the results and see what further steps are required to be taken. If you get it thoroughly I think you probably would be able to do it in one go.

*Sir Frederic Gauntlett.*—Another direction which will interest this Committee is this. I think that Mr. Burdon has covered a very great deal when he referred to the Budget Officer as Secretary to this Committee. The Committee has to remember that being Secretary of this Committee, does not merely mean sitting in this room, taking notes and getting out the proceedings. A much more important part of the work which he has got to do is to co-ordinate, under the guidance of the Member and Secretary, all the work of considering the recommendations of the Committee and giving effect to the orders of the Government of India upon those recommendations. It is a bald statement of fact that it is not until the Budget Officer was appointed that it has been found possible for the Finance Department to get out the important Resolutions which appear this year. I think Mr. Burdon will agree with me.

*Mr. Burdon.*—Certainly. I could not have done all this if I had not had this additional strength.

*Chairman.*—We want to do much more than bring out Resolutions. We want to see everything that this Committee has called our attention to translated into action.

*Sir Frederic Gauntlett.*—If I might put it the other way, the organisation of the Finance Department was inadequate for this purpose up to the time when the Budget Officer was appointed, and I think Mr. Burdon would agree with that.

*Mr. Burdon.*—Undoubtedly.

*Chairman.*—Do you, from your experience, agree with Mr. Burdon that at any rate to start with, we ought to go a step further and have an Assistant Budget Officer on special duty to go round ?

*Sir Frederic Gauntlett.*—I certainly agree with Mr. Burdon as to the necessity of co-ordinating the work of the officers who are primarily responsible for the estimating. It is perfectly true that a considerable portion of the estimating is now done by Pay and Accounts Officers who are men who have had all their training in Accounts offices, and it would be much simpler to train them than to train men who have had a much smaller training. At the same time, I fully recognise the need for co-ordination

and for expounding the best systems. At any rate, this is certainly true of the English people—it is only by experiment and error that we have to thresh out the best system.

*Colonel Gidney.*—I look upon this as a very important matter and in view of what Mr. Burdon has said, I think he has rather given his minimum requirements. The Assistant Budget Officer is the minimum requirement.

*Mr. Burdon.*—I think we can do it with that.

*Maulvi Mohammad Yakub.*—He will have to be kept longer than a year. One year is of course a very short period.

*Mr. Burdon.*—I do not think so. When he comes back with his results and has a conference with the Budget Officer proper, and they apply the results that he has brought back to the central estimates then under preparation, one could then sit back and look at the results and see what is wanted. I think it is very probable that consolidation of the work done in the cold weather ought to be undertaken specially during the succeeding season up here.

*Sir Frederic Gauntlett.*—I should like to make one further remark, and that is, that the amount of current work that can and ought to be done by the Budget Officer has not yet been fully ascertained. My point is this. Mr. Shankar Rau has been engaged for a quite a considerable time in the bringing up all these arrears of work of the Public Accounts Committee which have resulted in the initial drafting of these very important Resolutions which are now before us, and it will be an essential feature of the work of the Budget Officer to keep that up to date. Up to the present, Mr. Shankar Rau has been engaged in catching up the arrears and it is that which has invalidated him.

*Chairman.*—We have had very little time to have experience of his work as a permanent Budget Officer.

*Sir Frederic Gauntlett.*—You have had no experience of his work with no arrears to catch up.

*Chairman.*—If I might get out of my chair as Chairman of the Public Accounts Committee and sit for a moment as Finance Member, I should welcome any recommendation from this Committee to the effect that the Finance Department should be adequately staffed to ensure that full effect is given to the recommendations of the Public Accounts Committee and that it is justifiable that in the initial stages we should err on the side of being over-staffed in order to set up a high standard of efficiency and to hope that that standard will remain.

*Sir Frederic Gauntlett.*—I fully agree with that. It is a vital necessity. My experience of 5 or 6 years has led me to that conclusion.

*Chairman.*—I endorse the remarks of Mr. Burdon, speaking as Finance Member, very fully. I know that my staff is over-worked and it is impossible to get to do everything as well as one would like.

*Maulvi Muhammad Yakub.*—This might be one of the recommendations of the Committee.

*Mr. Das.*—We would like to make a different recommendation to that of Mr. Burdon that there should be an Assistant Budget Officer. I have watched the working of the Finance Department from outside for the last 5 or 6 years. Mr. Aiyar was the Budget Officer, but he was transferred to the Royal Commission on Currency. Then there was Mr. P. R. Rau, who is now in a higher post. Then we had Mr. Shankar Rau. He might be transferred somewhere else....

*Chairman.*—Not while I am here. (Laughter).

*Mr. Das.*—For this Public Accounts Committee, we had Mr. P. R. Rau as Secretary, and then Mr. Shankar Rau.

*Chairman.*—I think you want to add something to the recommendation and say that there should be a permanent officer.

*Mr. Das.*—If the Budget Officer gets transferred, the Assistant Budget Officer becomes the Budget Officer.

*Mr. Burdon.*—The real difficulty is not one of securing continuity but one of getting sufficient strength to keep matters at the proper standard of efficiency.

*Chairman.*—Following up Mr. Das' point, would you say this : that just at the moment when we are trying to work things up to a standard it is particularly important to have continuity and that it might be desirable, for instance, to keep Mr. Shankar Rau as budget officer over rather a longer period than might be desirable when we have the whole thing working properly ?

*Mr. Burdon.*—I do agree most definitely because Mr. Shankar Rau has been associated with the development of this organisation which began last year ; and it will be very desirable to make him stay on until things come to fruition.

*Chairman.*—And that his case should not be prejudiced because his services are so much required for a particular purpose that he cannot be released for what might possibly be promotion ?

*Mr. Burdon.*—Quite so.

*Chairman.*—I think it would be valuable from that point of view to have some recommendation from this Committee that during these initial stages it is particularly important to have continuity in the staff of the Finance Department which is employed on this special work.

*Mr. Burdon.*—Yes.

*Mr. Roy.*—All I can say is that the work turned out by your department is very good and efficient and whatever formula you might put forward, I hope, will receive the strongest support from this Committee.

*Mr. Burdon.*—Thank you very much, Mr. Roy.

*Sir Frederic Gauntlett.*—I think this Committee should rarely if ever make a precise recommendation : it should be in more general terms and leave the executive government to give effect to a general recommendation.

*Chairman.*—I do not think it would be going too much into detail if this Committee were to say that they attach great importance to the

Finance Department making an intensive effort for the next two or three years to build up a high standard of efficiency in that matter and for this purpose special arrangements both as to the strength and continuity of the staff employed on that work is desirable.

*Sir Frederic Gauntlett.*—I agree exactly with that form of wording: Mr. Das wanted to make it more precise.

#### GRANT 68—*Mint.*

811. *Chairman.*—The next point is in paragraph 55 of the Auditor General's letter—"The Committee may desire to urge that a lump cut should be made from the voted provision."

*Mr. Burdon.*—We will consider that of course. But there again, I think, my general observations are likely to be of more service than any particular observation about any individual item.

812. *Sir Frederic Gauntlett.*—I would refer to the note at the bottom of page 327.

*Chairman.*—What have you to say on that point?

*Mr. Burdon.*—In the first place the Finance Department are fully prepared to agree that this was really a new service; we had certain arrangements for refining silver at the Bombay Mint—very old fashioned and limited: this was an entirely new proposition because not only is it the purpose of the refinery to refine government silver but also to give facilities to the general public to have their silver refined.

*Sir Frederic Gauntlett.*—We have come to a general conclusion that where it is a mere replacement it is not a new service, but I would clearly differentiate that general proposition from this particular case as this is very much more elaborate than anything you ever had before and of a radically different type.

*Chairman.*—Not only that: it represented not only a new service but a new policy and a very definite policy.

*Sir Frederic Gauntlett.*—I think all these points might be elaborated in expounding the case as an illustration of case law.

*Mr. Burdon.*—Perhaps the Committee might like to know why we did not apply to the item the rules which apply to provision for a new service. I wish to acknowledge at once that at the time this item came up, the Finance Department themselves had not realised all the implications of the rule relating to new services. It was a new thing and it was merely passed over; otherwise our procedure was, I think, regular; we went to the Standing Finance Committee and said that we proposed to go to the Legislative Assembly for a grant for the main body of the expenditure which was to be carried out in the following year; we did not go to the Assembly for a supplementary grant for the relatively small volume of expenditure which was to be incurred in 1927-28; the thing was merely an oversight; as a matter of fact the whole of the facts was placed before the Standing Finance Committee and before the legislature and the case was undoubtedly an urgent one.



813. *Sir Frederic Gauntlett*.—That raises one important question and that is whether the Standing Finance Committee, when asked to approve of any scheme put before it, should consider in the light of the case law promulgated by this Committee whether a new scheme put before it constitutes a new service ; it would not of course be the final authority.

*Mr. Burdon*.—I think we had better have an office order that this is one of the paragraphs to be included in every memorandum to the Standing Finance Committee—whether a thing is a new service or not : you get it automatic.

*Mr. Sanjiva Row*.—We have recently devised a form of memorandum to the Standing Finance Committee and if we consider that an item is a new service we specifically mention it.

*Chairman*.—It is quite possible that the Standing Finance Committee may disagree in a case in which it was not specifically mentioned and it will therefore be a good thing if we can get some summary or concise statement of the case law on the subject placed before the Standing Finance Committee so that it may form its own conclusion.

*Sir Frederic Gauntlett*.—I suggest that is one more task to be put on the budget officer *cum* Secretary of this Committee after each year's work : it would bring the volume of case law up to date.

814. *Maulvi Mohammad Yakub*.—But we have not been able to define what is a new service ? Would it not be desirable to find out some formula or definition ?

*Chairman*.—I think we have come to the conclusion that it is impossible to find out such a formula : each case will have to be judged on its merits ; but we could collect together a body of case law to serve as a guide and precedent.

*Sir Frederic Gauntlett*.—This was discussed a great deal last year on the memorandum of information and guidance for members of the various Public Accounts Committees which I brought up before last year's meeting. In that I put forward my conception of the problems which arise in connection with this definition and it was considered very carefully and decided that while the very general suggestions that I put forward should be accepted, the detailed application of those principles to individual cases could only be settled by the evolution of a body of case law and we got three or four cases last year and we have added three or four more this year.

*Mr. Burdon*.—Might I suggest that the Standing Finance Committee at the first convenient opportunity should be apprised of the fact that that will be one of its functions—to consider whether any item placed before it is a new service or not : also to let the Standing Finance Committee have such observations as this Committee might finally decide to make on this subject.

*Mr. Das*.—Will these observations regarding new service apply to the Railway Standing Finance Committee ?

*Chairman*.—Certainly.

*Mr. Roy*.—Would you not like to have a proper definition of new service inserted in the manual ?

*Mr. Burdon.*—No, I am afraid not, as a matter of fact the Secretary of State himself has blenched at this task of defining this term ; he has held that it is not possible to have it satisfactorily defined at present.

*Chairman.*—In the meanwhile we can content ourselves with accepting Mr. Burdon's suggestion that it should be communicated to the Standing Finance Committee that it is one of their functions to consider that, and we also want to record that it is definitely the duty of the department responsible for putting the demand before the Standing Finance Committee to offer such guidance as it can to the Committee and say whether it is a new service or not.

815. *Mr. Das.*—One more question, Sir, in regard to this currency : I find you sold nickel in London : have you got sufficient nickel to justify your selling it in London ?

*Mr. Burdon.*—Yes ; our stocks of nickel are used not merely for coinage, but also for supplying the ordnance factories for the manufacture of munitions : and when this matter came up I went to the Master General of Ordnance in the Army Department and asked him to give me his estimate of the requirements of nickel for the next four or five years, which was the most he could do : and we sold the rest in order not to lock up stocks and suffer loss of interest ; we are not purchasing nickel now, we have got sufficient stocks in hand.

#### GRANT 70—*Superannuation Allowances and Pensions.*

816. *Chairman.*—Have you any remarks to offer on para. 57 of the Auditor General's letter ?

*Mr. Burdon.*—Here again I think my general observations cover the point. The wide variations between the grant and the expenditure are mainly due to the estimates having been framed in the absence of actuals. (The witness proceeded to explain with particular reference to para. 78 of the Auditor General's letter on Grant 71—Commuted value of pensions.)

*Chairman.*—It is the commuted value of pensions which accounts for the difference in this total ?

*Mr. Burdon.*—Yes.

#### GRANT 72—*Miscellaneous.*

817. *Mr. Burdon.*—Para. 59 (a) and (c). I have on another occasion. I think, explained this point. We agree with what the Auditor General proposes.

*Mr. Rajagopalan.*—Para. 59 (b). This matter was gone through the other day. I have not got the papers here. It concerns entirely the F. and P. Department and the Pay and Accounts Officer has explained that he was not responsible.

*Mr. Rajagopalan.*—Para. 59 (f). The Pay and Accounts Officer, Secretariat, is jointly responsible with the Pay and Accounts Officer, P. W. D. He gets the rates of consumption for electric current, and the past actuals are quite dependable in Simla. But as regards New Delhi, we have got several new factors that have come in. We have now got the heating system introduced in some rooms and also the Radiators going in others.

Rs. 36,400 was surrendered within the year after an estimate based upon the latest metre readings. In future years the current consumption in respect of fans will probably be less as we have started the cooling system. We hope to get fairly dependable actuals in the next few years, but estimating will be difficult in the transition stage.

GRANT 83—*Expenditure under the control of the High Commissioner.*

818. *Sir Frederic Gauntlett.*—Might we have some comment on para. 69 ?

*Mr. Burdon.*—The only thing that we can say about this is that we have to tackle the High Commissioner and the Secretary of State on the same lines as we are going to tackle the problem here.

GRANT 94—*Loans and Advances bearing interest.*

819. *Mr. Burdon.*—Para. 80-B. Advance for a Motor Car. I do not want to comment on the individual case of the officer under the Bengal Government, but I should like to mention to the Committee that some time ago and quite independently of this case the Finance Department came to the conclusion that the existing arrangements in regard to covering advances made for the purchase of motor cars are not satisfactory and in consultation with the Government Solicitor we have now devised a form of security bond which will combine personal security of the officer with the hypothecation of his vehicle. In future every officer taking an advance for motor cars will have to give a personal bond so that if anything goes wrong the amount will be recovered from his pay immediately. We have got much more tangible security now than before.

820. *Sir Frederic Gauntlett.*—The only point left is para. 80 (c). Provincial Loans Fund.

*Mr. Burdon.*—The matter has been discussed with the financial authorities in Bombay on every convenient occasion that offered itself, and last November I had a discussion with the Hon. Mr. Pradhan and Mr. Wiles. The Bombay Government have two large loans in respect of which they are making no repayments of capital whatsoever, *i.e.*, no appropriation from current revenues. I said that it was essential that some scheme of repayment should be set in operation at once even if it has to be modified later on, and Mr. Wiles undertook to send us formal proposals, and there was a general understanding that if the proposals were made on certain lines they would receive sympathetic consideration. Then we received an official proposition from the Bombay Government and it is under consideration.

821. *Chairman.*—Para. 80 (c). Supplementary memorandum (Appendix VII). It is an important question of principle involved. We may say in this particular case that it must have occurred before Mr. Burdon joined the Department. In the meanwhile I would like to say this that it is perhaps out of date because we are considering the question of amending the Provincial Loans Fund Rules, and in one important direction I think myself the distinction which has been made between dealing with productive and unproductive loans in respect of the interest charged is not very effective. I think the extra  $\frac{1}{2}$  per cent. is not a deterrent to prevent people from borrowing for non-productive purposes. My own view is that fixing a short term for repayment in the case of borrowing for

non-productive purposes is a much more effective way than charging the extra  $\frac{1}{4}$  per cent. interest. For instance, if money is wanted for completely unproductive purposes, we should say that repayment must be made in say 10 years. That at once pulls them up very sharp, because it means a very heavy charge. We are considering the revision of the rules along these lines. Mr. Burdon will furnish an explanation.

*Sir Frederic Gauntlett.*—As regards this particular case, I have deliberately called attention to it because it does involve a very important point of principle. The Government of India in this case is merely the trustee for all the Provincial Governments and all these rules have been agreed to by all the Provincial Governments. The fund is more for the benefit of the Provincial Governments as a whole and the rules do not give any authority to the Government of India to make any distinction between one Provincial Government and another.

*Mr. Burdon.*—I think the Auditor General's point is covered by the circular which is going out to consult the local Governments with regard to the changes to be made. In certain cases the Government of India want to have special powers to fix special terms.

*Sir Frederic Gauntlett.*—If it arises in my time, I shall accept the sanction of the Secretary of State. I only desire to point out that it is particularly difficult to depart in favour of one Government from rules which have been framed in consultation and by agreement with every individual local Government.

*Mr. Burdon.*—I will make a further statement on the point this afternoon.

#### APPENDIX V TO THE REPORT.

822. *Chairman.*—We may now turn to Appendix V. I may say that I have received no comments from any Member of the Committee. You will remember that I invited comments in writing. In a case like this I think that instead of starting a general discussion I had better call on each Member of the Committee in turn to say whether he has any particular remark at this stage to make. I should like to say at the outset that I do not think that we can arrive at any final conclusion on this matter to-day. I would myself in any case like to have further discussion possibly with the Leaders of the various Parties, and also with the President of the Legislative Assembly as I should like to have his views on the subject. But even if we cannot arrive at a final conclusion to-day, I think we might do a good deal in clearing the air. Mr. Roy, can you now tell me your views ?

*Mr. Roy.*—Mr. Burdon, I thank you for your memorandum ; but you have only given us a halfway house, and you have not given us the full select committee procedure according to your proposal in paragraph 8. Why have you not given us the complete select committee procedure ? Why don't you give us a right to move that the report as amended be adopted ? What is your objection ?

*Mr. Burdon.*—I think I have explained that in the memorandum. We considered that point very definitely and carefully. In my mind it is quite clear that, if you have a motion for adoption, the great difficulties

must be whether you are ever going to get so large a body of men as the members of the Assembly to record unanimous agreement on all the recommendations contained in a fairly lengthy report of the Public Accounts Committee. It does not seem to be practical to expect that such a thing would happen. Then if you have a right to make amendments and all that sort of thing the process becomes almost interminable. It is most impracticable in my opinion for any body of men to arrive at such an agreement. That is why we proposed to cut out anything in the nature of a motion for adoption.

*Mr. Roy.*—There is no constitutional objection to it. It will be only in the nature of a recommendation to the Governor General in Council and he can do anything he likes with it.

*Mr. Burdon.*—If you have a recommendation that the whole report be adopted, that would fall, at any rate, within the mischief of the rule which insists that a resolution should raise only a single definite subject.

*Mr. Roy.*—I will explain the thing to you. You make recommendations in that Committee's Report. Say, touching recommendation No. 4, I want that the following clause be added. That clause is added with the consent of the whole House and that is only a recommendation to the Governor General in Council. But your proposal gives only a half way house.

*Mr. Burdon.*—So far as the executive Government is concerned, they would have no greater difficulty in dealing with the Public Accounts Committee Report that had been amended by the House than they would have in dealing with the Public Accounts Committee's Report as it is presented now. I am only thinking of the practical aspect of the thing, of the actual discussion in the Assembly itself.

*Maulvi Muhammad Yakub.*—I understand that the Public Accounts Committee Report is already presented in the U. P. Council and discussion arises thereon.

*Mr. Burdon.*—It is all mentioned here (referring to the memorandum in Appendix V).

*Mr. Roy.*—Mr. Burdon, you have no constitutional objection to give us the full select committee procedure. Your apprehension seems to me to be groundless, because, if you look at your own parliament, you will find that any member can raise a discussion and so when the report is presented to the House by the Finance Member there should be a little discussion with very little alteration. It will completely vindicate the action of the Auditor General and if you have the select committee procedure for the consideration of the report you will only be following what is being done in the provinces.

*Chairman.*—Mr. Roy, I am not quite clear. You told us that what you recommend is already in the House of Commons. Are we not proposing here exactly the same procedure? We are following exactly the wording of the motion that is raised in the House of Commons that the report be taken into consideration.

*Mr. Roy.*—They can also have a motion that the report be adopted.

*Chairman.*—There is no motion for adoption.

*Mr. Roy.*—Afterwards it is meaningless if only a motion is made that the report be taken into consideration. What is the net result of the consideration? Parliament has that inherent right. On that point neither May nor the parliamentary procedure is very clear. They have the right to make any motion they like as the sovereign parliament and deal with their own finance and lay down the policy. Mr. Burdon has given us a halfway house.

*Chairman.*—I should like to correct you on one point. You say “ Mr. Burdon has given a halfway house ”. Mr. Burdon has given you nothing except a suggestion, and that suggestion we are here to discuss. The memorandum does not lay down a hard and fast procedure and it is only a proposal which we are here to discuss.

*Mr. Roy.*—It is an admirable memorandum but its only flaw is that it does not give us the right to move that the report as amended by the House be adopted.

*Mr. Burdon.*—I have attempted in this memorandum to state the pros and cons of this thing.

*Mr. Neogy.*—The report contains certain recommendations and it also contains certain other things not in the nature of a recommendation. The functions of this Committee is to draw certain matters to the attention of the Legislative Assembly. We do that. Now if there is a motion that the report be adopted, the report does not merely consist of so many recommendations. We insist on so many other matters. What will be the exact effect of the adoption of the report? I want to understand that.

*Mr. Roy.*—We are a committee elected by the House with three nominated members. We are responsible to the House and to nobody else. We make a report to the House and if the majority of the members of the House decide to change our report in certain respects....

*Mr. Neogy.*—Then it ceases to be the report of the Committee.

*Mr. Roy.*—It becomes the report of the whole House.

*Mr. Neogy.*—The House can formulate its own opinions and adopt certain resolutions on the strength of the report that we submit to them. If that is done by way of amending the report itself, then it ceases to be the report of the Committee.

*Mr. Burdon.*—That is just what the Madras Government has said.

*Mr. Roy.*—The matter came up for discussion before the Presidents' Conference last cold weather. This is an extract from their proceedings. As it is a confidential document I do not want it to come in in the proceedings. (Reads.)

*Mr. Burdon.*—May I draw your attention to paragraph 7 of the memorandum? The information contained therein was obtained from the several provincial Governments this summer after we came up here. This contains merely statements of fact. (Reads relevant portions dealing with the procedure in the provincial Legislatures.)

823. *Chairman.*—Now, let us have your suggestions, Mr. Neogy.

*Mr. Neogy.*—I am not in a position just now to make any specific proposal but I see some difficulties in the way of accepting Mr. Roy's proposal because what I find is this. A select committee is charged with

the duty of examining a particular bill and then making a report regarding the various ways in which it ought to be amended. The duty of this committee is to bring to the notice of the Assembly certain irregularities. Having done that, I think it is not right that the Assembly should be called upon to adopt the report or do anything of the kind because there is another specific thing that is placed before the Assembly in connection with this report, and that is the demand for regularisation of the excess grants. So that there is a specific thing that comes before the Assembly. It is up to the Assembly to agree to those excess grants being passed or not by a specific vote which the Assembly can give so far as the excess grants are concerned. With regard to the report itself, I think if a general discussion is allowed after the motion is made that the report be taken into consideration,—I think that would be enough for the purpose of allowing the Assembly an opportunity to express its opinion on the issues raised by the Committee itself in its report. But apart from that, if there are any recommendations which arise out of the report and which the Assembly wants specifically to make to the Government apart from the question of those excess votes—certain questions may relate expressly to the excess votes and of course the Assembly will have an opportunity of voting on that matter—but certain other matters arising out of the report will not relate to excess votes, and with regard to those matters, if the Assembly does think that any specific recommendation should be made either in agreement with the Committee's report or not, I think the procedure should be to enable the Assembly to record such resolution. This particular motion that the report be taken into consideration is made and there is a general discussion and then certain specific resolutions may be moved just to focus the attention of the Assembly on certain specific matters which do not relate to excess votes and which may arise out of the report. I do not think it right to allow the Assembly to amend the report of the Committee. The Assembly may adopt certain resolutions specifically on the basis of the report either in agreement with the Committee's report or otherwise. But I do not want that the Assembly should mutilate the report of the Committee.

*Chairman.*—You think there may be a list of resolutions of which notice may be given arising out of the report?

*Mr. Neogy.*—Yes.

*Chairman.*—That might surely lead to a very lengthy discussion?

*Mr. Neogy.*—That cannot be helped.

*Mr. Burdon.*—I am not sure if Mr. Neogy has been thinking of what has actually been done in the past. For example, Mr. Neogy himself has picked out of the report of the Public Accounts Committee particular items, such as those relating to salt.

*Mr. Neogy.*—That was done in pursuance of the general provisions relating to resolutions. I am here thinking of a special procedure. When you make a motion that the report be taken into consideration and that motion is carried, then follow a few specific resolutions bearing on the report but which do not arise specifically with reference to the demands for excess grants.

*Chairman.*—Having regard to the limited time of the Assembly, supposing we had tabled 12 resolutions on specific subjects arising out of the report, you might have enough business for the whole session.

*Mr. Neogy.*—So far as the question of time is concerned, that does not at all affect my proposal.

*Chairman.*—We have to consider whether it will be practicable having regard to the limited time at the disposal of the Assembly.

*Mr. Neogy.*—That does not touch the merits of my proposal. By making an exception in the case of excess votes, you will get rid of many questions which directly arise in connection with the excess votes. The resolutions may be confined to matters on which the Assembly will not have an opportunity of voting specifically in connection with excess votes and that excludes a certain class of questions.

*Mr. Roy.*—Then what happens to the report ?

*Mr. Neogy.*—It is there. As I have said, I have not given this question as much thought as I should but this is my tentative view.

*Chairman.*—I am afraid when you consider the practical application of your proposal you will find yourself confronted with the extreme difficulty of providing sufficient time.

*Mr. Neogy.*—I think it would be better if you were to take up the report of a particular year and then just envisage to yourselves how many resolutions could there possibly be apart from the excess votes.

*Chairman.*—That would no doubt be very useful, but for the moment I should like to question the other members first. What I am trying to get at is the general opinion of this Committee. We are not coming to a final conclusion to-day.

*Mr. Neogy.*—I may revise my opinion hereafter in the light of observations that may be made.

824. *Chairman.*—Mr. Shervani can you now tell us what you think ?

*Mr. Shervani.*—My own idea is this. The duty of the Public Accounts Committee is to scrutinise the detailed working of the different departments and I would not like every year to go to the Assembly and get its approval or disapproval to the detailed working of the departments. I do not want the executive to be hampered by the legislature to that extent and therefore I would not like the legislature to pass its opinion on the working of the departments and the control of the executive over the departments every year by way of censure or otherwise. Therefore I would not like the adoption of the report by the Assembly.

825. *Chairman.*—Thank you Mr. Shervani. Mr. Abdul Matin Chaudury ?

*Mr. Abdul Matin Chaudhury.*—I think I shall be satisfied if we formally discuss the report in the days that are set apart for the discussion of the report by the House, just as we do in the case of the general budget discussion, with no votes taken nor amendments moved.

826. *Chairman.*—That is very clear and definite, thank you. Colonel Gidney ?

*Colonel Gidney.*—I consider that it will be sufficient if the report of the Committee is submitted for consideration and not for adoption



because if you put it down for adoption you will give the Assembly an opportunity of general discussion which will be impracticable from the point of view of time.

*Mr. Neogy.*—Even then the consideration will take some time.

*Colonel Gidney.*—I do not think that it is practical politics to put it down for adoption. We as representatives of the Assembly have been given power to come to certain conclusions on the appropriation accounts and the Assembly should accept our report.

*Chairman.*—If the Assembly thought that the Public Accounts Committee was not doing its duty properly, then on a motion that the report be taken into consideration some member may move an amendment that special steps be taken to appoint a new committee.

*Mr. Neogy.*—It will give the Assembly an opportunity to say whether they have confidence in the Public Accounts Committee.

*Chairman.*—If the motion for consideration is defeated, then it will be tantamount to a censure on the Public Accounts Committee.

*Mr. Neogy.*—Yes.

827. *Chairman.*—Mr. Das. What have you to say ?

*Mr. Das.*—I generally agree with the view of Mr. Neogy. I want the Assembly to discuss the report so that both the Government and the future Public Accounts Committee may be guided in their work. As regards the point about time you can amend the rule and provide one day or two days for the discussion of the report.

*Chairman.*—Do you agree with Mr. Neogy that the discussion should really take the form of moving definite specific resolutions of which notice has previously been given ?

*Mr. Das.*—If there are any amendments or suggestions they can come up in the form of resolutions.

*Mr. Abdul Matin Chaudhury.*—Without putting it in the form of a resolution can you not raise it in the general discussion itself ?

*Mr. Neogy.*—May I add a word to what I have already said ? First of all, let us consider the question of procedure. The first motion to be made is that the report be taken into consideration. That is passed. Then you make motions with regard to excess grants. Those are either passed or not passed. Then, if any subject remains over and if any member has given notice of any resolution, it will be for the President to see whether any of those resolutions have already been covered by the discussion on the excess grants specifically. If they have not been, then these specific resolutions will be taken up and they will be treated just like ordinary resolutions.

*Chairman.*—You will agree, Mr. Neogy, that the procedure we may decide upon must for the time being be experimental and it must be allowed to develop as experience is gained. Don't you think, to start with, as has been suggested, a discussion like the general discussion on the budget would give members a really much greater chance of ventilating a number of points than if you tie them down to particular resolutions ?

*Mr. Neogy.*—We can imagine questions of first rate importance which may be contained in the Report of the Public Accounts Committee and which the Assembly might like to reinforce with a specific vote. That is what I am thinking of and which may not directly arise in connection with the excess votes.

*Chairman.*—The difficulty is this. No one has suggested more than one or two days time at the utmost for this discussion. Within that time could you deal adequately with all the points that may be raised ?

*Mr. Neogy.*—If you fix a time limit it will be for the Assembly to choose as to how they will utilise their time just as what happens in the case of the budget discussion on demands for grants. It is the lookout of the Assembly.

*Mr. Das.*—I have no fear of the Assembly throwing out a motion that the report be taken into consideration. We happen to be elected by the members of the Assembly and under the present system of Government nomination and each party electing its own members on the Committee, there is no fear that at any time the Assembly will throw out the motion at the consideration stage.

*Mr. Roy.*—Is not a bill recommended by the Select Committee thrown out by the Assembly ? What is the difference between the two ?

*Mr. Das.*—We have examined the accounts in detail. Let the Assembly go into a committee like the House of Commons.

*Mr. Neogy.*—I want to distinguish between the position of the ordinary Select Committee and this Committee. The Select Committee is entirely the creature of the Assembly and this is not a creature of the Assembly in the sense that it is a statutory body. It does not lie with the Assembly either to appoint it or not.

*Mr. Burdon.*—It is a creature of the Legislative Rules.

828. *Chairman.*—Will you now tell us what you think ; Kumar Ganganand Sinha.

*Kumar Ganganand Sinha.*—I have not given the matter as much thought as I should have liked as yet, but I am going to go through it in great detail. At present I am inclined entirely to endorse the suggestion that has been made by Mr. Neogy in this connection because that meets all the difficulties that I have concerning the matter, and that will be a very good procedure to adopt.

829. *Chairman.*—Thank you. Mr. Mitra ?

*Mr. Mitra.*—As you wanted, we could not consult our party and being the whip of the party I have a special responsibility in the matter. But if you desire, I can give you my personal opinion. I agree to the procedure suggested in the memorandum of the Finance Department. I do not fully agree with Mr. Neogy. According to the procedure that he has suggested, after the discussion it looks as if the Government may not take any notice whatever. The Government must show what steps they have taken in the matter and I do not like to dispense with the latter thing as it is done now.

*Mr. Burdon.*—You are talking now of the disposal by the executive Government ?

*Mr. Mitra.*—I want the executive Government to say something.

*Chairman.*—That is very clearly covered by this memorandum.

*Mr. Mitra.*—Apart from the reply of the Finance Member I want that the whole Government should give their opinion.

*Chairman.*—You want a Government resolution? You do not agree with the suggestion that the Government resolution should no longer be required?

*Mr. Mitra.*—Yes.

830. *Chairman.*—Will you give us your view, Maulvi Mohammad Yakub?

*Maulvi Mohammad Yakub.*—I think there should be a motion for consideration and on that motion any recommendations or any suggestions which the members of the Assembly wish to make about the report of the working of this Committee can be embodied in their speeches and of course it will be for the members of this Committee as well as for the Government to take those recommendations or suggestions into consideration. I am unwilling to agree either with Mr. Neogy or with Mr. Roy that any amendments should be made or that any resolutions should be tabled. In fact, I do not see how before the report is taken into consideration and all the points have been brought out before the Assembly any member can table any resolution. If any resolution can be tabled, it can only be done after there has been discussion in the Assembly and all the important points have come to light.

*Chairman :* I am grateful to members for expressing their opinions. Of course, everybody is entitled to alter his opinion. As I said at the beginning we are not going to arrive at our final recommendation to-day but it has done something to clear our minds. I do want to make one thing clear because some criticisms have appeared in the press about this memorandum. It is the desire of the Government to give every facility for effective discussion of the Public Accounts Committee's Report. We attach great importance to the Public Accounts Committee, and speaking for myself and on behalf of Government, I shall do every thing that I possibly can to facilitate the discussion on the Public Accounts Committee's Report and to see that the Committee's recommendations are given full effect to. And of course the more we can get an expression of public opinion on these recommendations the better guide we shall have as to the line of action to take. We thoroughly desire to open the door to useful discussion on the subject. I think myself, as I said earlier, that on a matter like this we shall have to feel our way. The procedure can be allowed to develop according to experience; therefore any decision taken now need not necessarily be regarded as a final decision. My own idea at present is—I am entitled to alter it just as any other member is—to have a discussion on a motion that the report be taken into consideration and provide facilities for the sort of discussion which the general discussion on the budget provides. That will at any rate to start with be our best line to take, I mean we shall get a lot of experience from seeing how that discussion goes. I believe myself that that will be the best practical measure to take to start with. But we will discuss this matter again and I am anxious that members of the various parties present here should discuss it with their party

leaders, so that when we come to put down what our own recommendations as a Committee are we shall be able to have a discussion at which I can feel that we have before us a really representative expression of opinion.

*Maulvi Mohammad Yakub* : Now that our report is not to be signed on the 31st we can meet some time when the Assembly is sitting.

*Chairman* : For this reason alone I have come to the conclusion that we must wait and I cannot sign it on the 31st.

*Maulvi Mohammad Yakub* : After the debate is concluded on the report the Finance Member should give a reply explaining what recommendations the Government are adopting, or something like that.

*Chairman* : Yes ; obviously it will be appropriate for the Finance Member to reply.

*Mr. Roy* : Do you wish to ask the Legislative Assembly to express their opinion on any changes we propose to make in connection with the discussion of the report ?

*Chairman* : Well, it is very difficult to get the Legislative Assembly as a whole to express an opinion.

*Mr. Roy* : You can put a formal motion.

*Chairman* : I should like to consider that. As I have said, what I want to get at is the opinion of the Legislative Assembly.

*Mr. Roy* : I have no doubt of that. We are very much divided upon this and my advice is to give an opportunity to the Assembly on a formal motion.

*Chairman* : I will certainly take that into consideration. We have to strike a balance between, on the one hand, focussing discussion on certain points and, on the other hand, getting a wide general view of the opinion of the House. Sir Frederic Gauntlett has quoted to us an old England nursery rhyme about a stick beat dog—dog bite cat—and so on or something to that effect. I think that has been quite a useful guide in many cases. One thing we do want to avoid I think is the danger by suggesting definite resolutions of making the Assembly do the task of the Public Accounts Committee. What we want the Assembly to do is to say to the Public Accounts Committee, " we want you to concentrate on this or that particular line of work ". For then it is not necessary that the Assembly should amend the Report of the Public Accounts Committee or pass its own definite resolutions. I think we want to get from the Assembly a general expression of their opinion so that the Public Accounts Committee and the Government may learn from that discussion the points to which public opinion attaches most importance. I think that is the way to look at it but we shall discuss the subject again.

*Mr. Das* : I would ask you to ask the Auditor General if he has any suggestions for the discussion.

*Mr. Burdon* : I think the point on which Sir Frederic Gauntlett's opinion will be most valuable is in regard to the treatment of the Public Accounts Committee's Report by the Executive Government. Because after all one of the principal functions of the Auditor General is to see that recommendations are given effect to or that something is done about them. It is for the Auditor General to say whether he thinks the most

effective procedure so far as he is concerned is for the Government of India to issue an omnibus resolution as at present, waiting for the preparation of that resolution until decisions have been arrived at in regard to the principal cases, or whether it would suit him better if as soon as decisions had been arrived at in individual cases those decisions were communicated to the authorities concerned.

*Chairman* : I should like to hear what Sir Frederic Gauntlett has to say with regard to that.

*Sir Frederic Gauntlett* : If I may start, Sir, with the procedure before the Legislative Assembly. I take it that all that happens in England is that there is a motion that the report be taken into consideration, and then that motion is adopted, that is, the report is taken into consideration. It is not the report itself which is adopted, it is the motion which is adopted ; that is, the Government is then free to take the report into consideration. In fact that has never been refused to the Government in England. It is brought to notice that on one or two occasions the motion that the report be taken into consideration has been withdrawn. That has had no effect whatever upon the Executive Government. The Executive Government has taken the report into consideration and given just as much weight to it in the years when the motion was withdrawn as in the years when the motion was adopted. The second point that emerges I think is, I know of no case in which the English Parliament has ever attempted to amend a report of the Public Accounts Committee. I suggest that any procedure which would indicate that the Public Accounts Committee would acquiesce in the amendment or alteration of its report by the Legislative Assembly would not be acceptable to this Committee as a Public Accounts Committee. It would be introducing an entirely new precedent and I suggest that it is an unnecessary and undesirable precedent. Beyond that I think the views which you, Mr. Chairman, have expressed are certainly the most suitable for the present. It has been suggested that the procedure should come under the discussion of the Legislative Assembly. I agree that that is most desirable. At the same time I think that probably the simplest method of bringing it under discussion will be to introduce a tentative procedure and ask the Legislative Assembly to take that up as one of the points for discussion when the report comes under consideration. It seems to me that that would be a matter which could perfectly legitimately be raised when the motion is moved that the report be taken into consideration.

With regard to the point that Mr. Burdon has raised, I certainly agree that it is preferable from our point of view that individual matters should be taken up and settled as promptly as possible. In fact that is what has to be done whether a resolution is brought together and issued or whether it is not so issued. The resolution is merely a convenient statement of the decisions of the Government of India or a statement of the line of action they propose to take in order to bring a particular point to decision. I suggest that what is really necessary is the issue as promptly as possible of the decision on each particular case. I submit that for the rest the statement of intention can be expressed most clearly and most appropriately in the statement which is presented to the next Public Accounts Committee. The existing procedure should be followed, whereby each important point



Evidence taken at the eighteenth meeting of the Public Accounts Committee held on Saturday, the 24th August 1929, at 2-30 p.m.

PRESENT :

(1) The Hon'ble Sir GEORGE SCHUSTER,	Chairman.
(2) Mr. T. A. K. SHERVANI.	} Members.
(3) Mr. B. DAS.	
(4) Mr. S. C. MITRA.	
(5) KUMAR GANGANAND SINHA.	
(6) Mr. K. C. NEOGY.	
(7) Maulvi MOHAMMAD YAKUB.	
(8) Mr. K. C. ROY.	} Were also present.
(9) Lt.-Col. H. A. J. GIDNEY.	
(10) Sir FREDERIC GAUNTLETT, Auditor General.	
(11) Mr. J. E. C. JUKES, Controller of Civil Accounts.	
(12) Mr. A. G. BARR, Director of Army Audit.	
(13) Mr. B. NEHRU, Deputy Auditor General.	} Witnesses.
Mr. E. BURDON, Financial Secretary.	
Mr. A. F. L. BRAYNE, Financial Adviser, Military Finance.	
Lt.-Col. S. G. V. ELLIS, Military Accountant General.	
H. L. LIVINGSTONE, Deputy Financial Adviser, Military Finance.	

GRANT 94—*Loans and Advances bearing interest*—contd.

831. *Chairman*.—Have you looked up the case of the Provincial Loans Fund, Appendix VII. Could you tell us something about it ?

*Mr. Burdon*.—I must first of all apologise to the Committee for not being able to reply to it this morning. The reason is that both the Budget Officer and I drew an incorrect inference from paragraph 3 of the Auditor General's memorandum. We assumed from what the Auditor General had said that the question of amending the Provincial Loans Fund Rules is under the consideration of the Government of India that he was satisfied with that position. I must also express regret to Sir Frederic Gauntlett that I did not give him an opportunity of reviewing the statement in the first sentence of paragraph 3 of his memorandum—"The Government of India originally decided that the advances on account of Bombay Development were for expenditure classed as non-productive." That is not in

accordance with the position as ascertained from our records. The position is that these advances on account of the Bombay Development Department were taken before the Provincial Loans Fund came into existence and the rate of interest charged was the standard rate of interest. It was then in connection with some correspondence which came up in dealing with certain other matters that the Finance Department issued a request to the Accountant General, Bombay, asking him to say whether these schemes satisfied the test of productivity. As a matter of fact it was really for the Finance Department to decide it. The Bombay Government came up and pointed out that these loans were taken for schemes which were only embarked upon because they were expected to be productive and that the rate of interest had been fixed from a date before the Provincial Loans Fund came into existence and it was then decided by the Government of India and the Finance Department that it would not be equitable to enhance the rate of interest at that late stage.

*Chairman.*—Merely because the schemes themselves had not begun to pay ?

*Mr. Burdon.*—Yes.

*Sir Frederic Gauntlett.*—I think the Finance Department accepted the view that the schemes were unproductive and were to be regarded as unproductive but they held the view that at that time the rate of interest was not to be changed.

*Chairman.*—The whole incident is instructive. As a matter of fact I personally did not quite agree with that way of defining what is productive and unproductive. I regard this whole question of having a higher rate of interest for a so-called unproductive scheme as being justified as a deterrent, to put the borrower off when he comes and asks for a loan. When he says "I want money to build expensive Government offices" and the Government of India says "You can have it but we shall charge you a higher rate of interest" it makes him pause. When once a thing starts and does not give a commercial return later on, I think it is very hard for the Government of India to say "Your scheme is a failure. I will charge you more interest now." It makes the task of the Government taking the loan still more difficult and it serves no useful purpose. To my mind we must make the borrower think whether it is worth while to have this money at a higher rate of interest.

*Sir Frederic Gauntlett.*—It would make our task very much more simple if there were a definite decision like that. This question of checking the projects in order to see whether they are productive or unproductive is a very difficult task for the Audit Department.

*Chairman.*—At the Conference of Finance Members, I came to realise the illogical nature of these provisions.

*Sir Frederic Gauntlett.*—We look at it from the point of view of the interpretation of the rules. I am pretty certain that our view has been placed before the Government of India on several occasions and up to the present it has been accepted.

*Chairman.*—You are right in the interpretation of the rules as they stand. That is one of the reasons why we are getting out these new proposals.



*Sir Frederic Gauntlett.*—The changes that are suggested would simplify our work enormously and I quite agree that that would not make the problem more extravagant than it is at present.

#### SEPARATION OF AUDIT FROM ACCOUNTS.

*Sir Frederic Gauntlett.*—I should like to make a statement about the separation of audit from accounts. The conception of the scheme was in no way my own. It was introduced directly at the instance of Sir Basil Blackett and I acquiesced warmly in the experiment. At the same time I apprehended considerable difficulties in the way and being of a conservative nature I suggested that if they place money at my disposal I could do better work with it than if it was spent on the scheme under consideration. The two main points on which I based my apprehensions were first of all that we should lose the remarkable tradition we have of incorruptibility in our big centralised accounts offices and also that there would be less opportunity for training of clerks in a specialised work if the big office was split up, as was contemplated, into several smaller offices. I might say that those apprehensions so far have certainly not been justified. It is true that at present most of the men working in the Pay and Accounts Offices are men who come from the previous civil offices and have carried their traditions with them and have not lost them. At the same time I have no reason whatever to suspect that my apprehension in that respect will be found correct. With regard to the training, I think that it is quite possible to obtain in a Pay and Accounts Office training sufficient for the work of the office. Whether the training in one particular Pay and Accounts Office would be sufficient for the training to do the work at the headquarters is a point which may need further consideration. On the other hand, the advantages which have been gained to my mind are very definite indeed. It has been possible under separation to introduce a much more drastic check in the Pay and Accounts Offices than was ever possible in a central accounting office. The great change is in the payment of most of the expenditure by cheque from headquarters after a preliminary scrutiny. Now, it would never have been possible to introduce that change in centralised offices. The further point is that the knowledge of the departments of their expenditure is very much closer and very much up to date than it ever was in a provincial office. In fact there are now experiments going on to get the figures compiled—that is of the expenditure which is passed from headquarters—within a week after actual expenditure has been incurred or the cheques have been issued, so that the officers would then be in a position to know the progress of the expenditure almost within a week. That is a change which we could never have introduced with the same promptitude in a big central office. With regard to the efficiency with which the Pay and Accounts Officers are working I see very little difference so far between that efficiency and the efficiency with which the work used to be done in our own offices. With regard to audit, I see that the benefit is less in the case of the civil offices than in the case of the Army and the Railways and I attribute it simply to the fact that there is much less to be found out. The general scale of efficiency and regularity is on the whole greater in the case of the civil than it is in the case of Railways and I think on the whole in the case of the Army. Where large individual transactions have to be dealt with as is the case in the Army and in the Railways, I am convinced that the separation has enabled audit to concentrate on bigger matters and to effect much more radical improvements. I know nothing has clarified more clearly the conception of accounts

and audit than separation. Before this the confusion between the functions of the Audit Officer and the officer exercising financial control was indescribable. It has taken years even to go through the masses of rules and attempt to differentiate between those which mean financial control and those which mean audit and accounting. Sir Austen Hadow referred to a function of audit which is not a function of audit at all. I am perfectly certain that that has been made much clearer by separation and that the separation has led to a much truer conception of the position of audit and much greater appreciation of the value of audit than before. It is perfectly true that when the experiment started I thought it would have been possible in a big central office of audit and accounts to have continued the mechanical accounting, and then to impose a super check within the office. In fact, we are still attempting experiments of that sort in those offices which have not been separated. In practice, I am certain that the results cannot be as efficacious as where the two functions are radically separate. There is only one further point I would like to make and that is that in my early trips throughout India I have found practically every local government very concerned with the difficulty of the reconciliation of the departmental accounts with the accounts of our offices which have to be regarded as the final accounts. Some provinces had abandoned it and had to start it again and in several provinces the difficulty has been so acute that they have asked whether the system could not be given up altogether. I said there are only two alternatives. One is to accept my figures which I know are often inaccurate and the other is to have your separation when you will be responsible for the checking of your compilation and we shall impose an outside check and to my certain knowledge many of the provinces would have accepted the separation but for the fact of the expenditure incurred. That is all I have to say on the subject.

*Chairman.*—Thank you for your statement.

#### REPORT OF THE MILITARY ACCOUNTS COMMITTEE.

*Chairman.*—Can you, Sir Frederic, call our special attention to any point ?

832. *Sir Frederic Gauntlett.*—I think the point in which the Committee would be generally interested is the question of stabilising the budget. Mr. Brayne would explain the lines on which that budget would be drawn up and the extent to which it involves any relaxation of financial control.

*Mr. Brayne.*—Shall I go in some detail as to how we frame the budget and how the actual stabilisation has affected the method of the preparation of the budget.

*Chairman.*—The point that has been raised is whether the existence of this so-called stabilised budget has involved any relaxation of financial control.

*Mr. Brayne.*—One main result of this stabilised budget has been this that while in the past the principal staff officers such as the Q. M. G., A. G., etc., were always, in theory, responsible for the preparation of their budget and for watching the progress of expenditure throughout the year, now that the stabilised budget allows them to spend on the improvement of the equipment of army any gap that there may be between the actual cost of maintaining the forces and the sum of 55 crores and 10 lakhs, they

are naturally very keen to secure savings. In the first place, they take care not to over-estimate their expenditure because if they do so then *pro tanto* so much less money is available for the purchase of equipment. Also during the course of the year they are very anxious to watch the progress of expenditure in order that if any savings appear to be probable or certain, those savings might be used for further expenditure on improving the efficiency of the army. The result is that they take very great care in compiling their data for the framing of the budget for which they now take a sort of corporate responsibility. Each principal staff officer prepares his budget and then they all meet together and determine what the estimates really ought to be. That is how they could secure this year 2 crores for equipment and mechanisation and for various other things to improve the efficiency of the Army. But throughout this there is absolutely no relaxation of financial control. Everything which the principal staff officers determine in conclave has to obtain financial concurrence or the concurrence of the Secretary of State in exactly the same way as it did in the past, and the Finance Department are particularly careful in keeping a check over the growth of recurring expenditure.

*Chairman.*—Perhaps you might say something about the effect of the arrangement on the efforts of the Army within itself to effect economies?

*Mr. Brayne.*—It has done a very great deal. Everybody from top to bottom in the Army tries to effect economy in every possible way. One example has been referred to in the Committee's report, namely the question of rations. We, in the Finance Department held that the scale of rations was rather too high, but we were unable to reduce the amount. We did press the point time and again but the medical authorities always said that the men must have a certain scale of rations. Now the military authorities have realised that economy can be effected without diminishing the food value of the rations. That is to say, instead of issuing 800 rations for 800 men they issue for a lesser number just as hotels would do. What they do now is to underdraw rations, by estimating every day what is the actual number of men likely to be present. Lots of men, for example, do not take their full rations on pay day; they have some meals outside. So their rations would have been wasted if they were drawn. The amount so saved by underdrawing rations is at the end of the month divided—half goes to Government and half to Unit funds which fund is used for improving the food supply in other ways. This example shows the trend of economy.

Another example is the saddlery or a set of harness in a battery. There is a certain life fixed for such articles—say 8 years. At the end of 8 years it is probable that the Commanding Officer would say "I want my unit as smart as possible; let us now have new saddlery". Now they do not do it but make it last for another two or three years. Those are two little ways in which a great deal has been done.

Another direction in which the new system has led to economy is that, supposing, at the end of the year, the military authorities find a certain amount of money available which can be spent on particular objects; if they are not immediately in need of those things, they put the money in the suspense account and draw upon it in the following year. Thus spending in a hurry is avoided and the programme of expenditure can be easily

carried on from one year to another, instead of being confined to one budget year.

833. *Colonel Gidney*.—Have you got a watching committee over this ?

*Mr. Brayne*.—The Principal Staff Officers themselves watch progress. There is no finance committee as such. I have got a Deputy Financial Adviser in every branch who is in close touch with everything that goes on. We have a meeting once a month in which we review the working of the system.

834. *Colonel Gidney*.—Could you tell me who are the Army Stores Officers ?

*Mr. Brayne*.—They are officers of the Indian Army Service Corps.

*Colonel Gidney*.—From the business point of view, I think the Stores Department is a purely business department.

*Mr. Brayne*.—Yes ; of course you must also include ordnance stores and the Indian Army Ordnance Corps.

*Colonel Gidney*.—Have you any qualifications for these officers prescribed ?

*Mr. Brayne*.—I do not know what exact qualifications they require ; that is an administrative matter. These officers are selected from the Army and given special training. They have also to attend courses and pass certain examinations. A certain number of them also go every year to the London School of Economics to improve their knowledge.

*Colonel Gidney*.—I think I am right in saying that these officers for years are of no use from a business point of view.

*Mr. Brayne*.—They may not have got a so-called business training but they have got the necessary experience of army organisation and methods of supply. Of course, you should remember that the vast bulk of the purchases are made centrally by the Controller of Contracts, a highly specialised organisation.

835. *Colonel Gidney*.—The other question I wish to ask you is in connection with the relations between the Army Stores Department and the Indian Stores Department. Have you placed greater orders this year than last year with the Indian Stores Department ?

*Mr. Brayne*.—I could not say that.

*Colonel Gidney*.—Would you be prepared to give the orders to the Indian Stores Department if they said they would be able to supply you with your requirements ?

*Mr. Brayne*.—I cannot very well answer that question ; it is an administrative matter ; it is a question of Army policy.

*Mr. Burdon*.—The general position is this. The Army has got its own purchasing organisation in the shape of the Controller of Contracts. But there are certain large classes of stores which are bought through the Indian Stores Department. For instance, all textiles and army clothing and also coal and certain engineer's stores which includes steel, are bought through the Indian Stores Department. What the army buys itself is mainly articles of food and forage ; these are things which the Indian Stores Department

declines to touch. Also war-like munitions which are manufactured in special factories are purchased by the army authorities themselves.

*Chairman.*—As this committee is contemplating to make a recommendation about the Indian Stores Department. I am sure that all members would be very glad if we could get from the Army a Memorandum of their policy as regards stores and their relations with the Indian Stores Department. If we want any further information that is not provided in that Memorandum, we can ask for it. What we want to know is whether the army could increase their purchases through the Indian Stores Department. What objection have they to have the maximum amount of business done through the Indian Stores Department so as to give that department a chance of buying ?

*Mr. Brayne.*—I know General Atkinson has this matter always under consideration.

*Chairman.*—I think if we can have from the Army Department before the end of next week a Memorandum on that subject it will be of great value to this committee.

836. *Mr. Roy.*—Do you regard the present grant of 55 crores and 10 lakhs as a contract grant ?

*Chairman.*—I do not think that is a proper question to put to Mr. Brayne.

*Mr. Brayne.*—The actual term used officially is 'stabilised budget'. That is the proper term. But we talk in the department about 'contract' merely as a useful and easier expression.

*Chairman.*—I do not go further than this. The Government of India has expressed the intention that provided conditions do not radically alter, they will provide that sum of money.

*Mr. Neogy.*—Is this system supported by usage in any other country in the world ?

*Mr. Brayne.*—I think it was in vogue in Germany before the war.

*Chairman.*—In Germany they passed a five year navy loan and a five year army loan for the purpose of carrying it out. But this is not an exact parallel, but the underlying idea is very much the same.

*Mr. Shervani.*—Is this stabilisation for five years ?

*Mr. Brayne.*—Four years.

*Chairman.*—It has two more years to run. I promise I will give you a full account of our future prospects in connection with the budget proposals this year.

837. *Mr. Roy.*—You are a member of the military council ?

*Mr. Brayne.*—Yes.

*Mr. Roy.*—You correspond to the position of the Financial Secretary to the War Office in England ?

*Mr. Brayne.*—Yes.\*

*Mr. Roy.*—You exercise your function on behalf of the Honourable Member of the Government of India in charge of Finance ?

*Mr. Brayne.*—Yes.

*Mr. Roy.*—Do you consider that your control of expenditure is inadequate ?

*Mr. Burdon.*—The Financial Adviser does not hold the same position as the Assistant Financial Secretary to the War Office. As a matter of fact that appointment has ceased to exist.

*Chairman.*—The real thing which Mr. Roy wants is whether Mr. Brayne as Financial Adviser can exercise adequate control.

*Mr. Burdon.*—Mr. Brayne does not correspond to the Financial Secretary to the War Office. Mr. Brayne represents the Treasury, but the Financial Secretary to the War Office is a War Office official.

*Mr. Brayne.*—The actual duties are probably much the same though exercised under different control.

*Chairman.*—The question still remains, whether Mr. Brayne still exercises adequate financial control.

*Mr. Roy.*—Your terms of appointment are different. The Financial Secretary to the War Office is really the Financial Adviser. I want to satisfy myself whether you consider that you have adequate powers to look after military expenditure of the Army Headquarters.

*Mr. Brayne.*—I consider that I have no difficulty whatever in controlling expenditure though the actual methods may be different at Home and in India. As to the power, there is no difficulty.

*Mr. Roy.*—If the Army Council is treated as a statutory body, will it strengthen your position as we have got the Army Council in England ?

*Mr. Brayne.*—I do not think it would.

*Mr. Roy.*—You referred to the economy campaign. What is the result of Mr. Macleod's researches ?

*Mr. Brayne.*—I think a very great deal has been done. Of course, it is very difficult at present to say how much reduction in expenditure has been reached though in certain definite directions like rations the result is known. I am satisfied that, in the Army Department, there is a very genuine attempt towards economy. We have received every help from H. E. the Commander-in-Chief in this direction.

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\*The analogy is properly with the Permanent Under Secretary of State at the War Office whose duties *inter alia* are stated as follows in the War Office List, 1929 :—

“Duties connected with his Office as Accounting Officer of Army Votes, Funds and Accounts. Control of Expenditure, and Financial Advice generally. Consideration and compilation of the Parliamentary Estimates. Review of proposals for new expenditure, or for redistribution of the sums allotted to the different sub-heads of the Votes. Financial adjustments and relations with other Departments and Governments. Accounts and Audit. Non-effective Votes. Administration of the Royal Army Pay Corps”.

838. *Mr. Roy.*—Do you consider the control which the Honourable Finance Member exercises is quite full and rigorous ?

*Mr. Brayne.*—In virtue of his constitutional position he has ample powers. After all, the position is that if the Finance Department takes one view and the Army Department takes another view, the ultimate authority is the Governor General in Council.

*Colonel Gidney.*—Can't the Army Department press its point ? Supposing H. E. the Commander-in-Chief desires a thing to be done, but the finances of the country won't permit that to be done, what happens ?

*Mr. Brayne.*—Supposing the proposal is to add to the strength of the Army for example. The Finance Department would probably take the view that the finances of the country could not afford it. There would then be a difference of opinion between the Army Member and the Finance Member and the matter would have to be decided by the Governor General in Council.

839. *Mr. Roy.*—Are the Indian Army Service Corps modelled on the English Army Corps ?

*Mr. Brayne.*—The conditions of service and recruitment are more or less the same, I imagine.

*Colonel Gidney.*—You have separated the Indian Army Corps from the Royal Army Corps ?

*Mr. Brayne.*—Yes.

840. *Mr. Roy.*—The question of supplies to the Army has considerably improved since the office of Master General of Supply has been created ?

*Mr. Brayne.*—Yes ; a recent enquiry seems to show that the Office of Master General of Ordnance is in many ways the best organised office at Army Headquarters.

841. *Colonel Gidney.*—On the recruitment in India—I am taking the year under review, 1927-28—certain Corps were established in India which were made Indian Corps. There was a new department made. You established those Corps on a certain basis of salary. Was that salary based on the domicile of the man recruited or was it purely based on the fact that he was once in the rank and file of the British Army ? I am talking of the soldier clerks in the Indian Army Service Corps, in fact I am talking of the generic term, Unattached List. Was it based on that or was it based on special qualification ?

*Mr. Brayne.*—The pay of the Indian Army Service Corps was based on regimental pay with the addition of staff pay. It was higher than regimental pay and that is practically the present basis. They get regimental rates, *plus* some form of Corps pay.

*Colonel Gidney.*—I take it that the total increased rate of pay was added to the military budget in 1927-28 and this came to 20 lakhs including pensionary charges ?

*Mr. Brayne.*—It is possible that on an average it was Rs. 200 per head. I do not know how many officers there are. I am speaking of officers only. I am sorry if I misunderstood.

*Colonel Gidney.*—Is it a fact that a sergeant in the Indian Army Service Corps gets as allowance more pay than superior officers in the Indian railways ?

*Mr. Brayne.*—I think he gets about Rs. 325 and rises up to about Rs. 1,100 as a Major. I cannot say what the railway rates are.

842. *Mr. Mitra.*—Why has the Army Department taken so much time to decide its attitude towards the Second Innes Committee Report ?

*Mr. Brayne.*—The questions as regards officers have been practically settled, except for two outstanding appointments. The Committee met in 1926 and it recommended a reduction of 13 permanent officers and so far six have been reduced and seven remain. That is as regards officers. Certain additions have been made owing to mechanisation in the Army and owing to the creation of the Master General of Supply Branch. The Innes Committee also recommended an examination of Army Headquarters clerical establishment. That examination was made by Mr. Heseltine. There was some delay in starting this enquiry. Mr. Heseltine was not able to complete the whole of the Army Headquarters clerical establishment, but he laid down certain definite principles. When Mr. Heseltine's report was finished, about 15 months ago, it was realised that it was not complete and therefore an Officer of the Military Finance Department was lent to the Army Department to complete Mr. Heseltine's enquiry and also to re-examine certain points in it which were unacceptable to the Army authorities. That examination has just been finished with the exception of the Royal Air Force establishment.

*Mr. Das.*—Last year you told us that the Heseltine Report was to be placed before the Military Council ?

*Mr. Brayne.*—It did not go before the Military Council as it was thought desirable first to complete the enquiry as the Heseltine Report was not complete. He only dealt with certain sections of Army Headquarters and laid down certain definite principles.

*Mr. Das.*—Last year it was said : " No official decisions have been arrived at on some of the recommendations. The report as a whole has still to be placed before the Military Council. Some of the recommendations have to be considered in the light of recommendations made by Mr. Heseltine. These latter are under consideration ".

*Mr. Brayne.*—It is for His Excellency the Commander-in-Chief to say whether he desires this report to be placed before the Military Council before it comes up finally for the orders of Government.

*Mr. Das.*—Last year you said : " All of the recommendations of the Second Innes Committee, I think, have been carried into effect except the cases of four officers which are to come before the Military Council. All others have been accepted ". Now you say seven still remain.

*Mr. Brayne.*—At that time, I thought it was four. Now we have reviewed the whole question and seven still remain. I think the Innes Committee recommended 13 permanent reductions of which six have been carried out and seven remain. There was some confusion between reductions of temporary and permanent appointments which probably accounts for the discrepancy.

*Mr. Mitra.*—How many officers have been added owing to mechanisation ?



*Mr. Brayne.*—They have added altogether 12 new officers owing to mechanisation and also in connection with the new organisation of the Master General of Ordnance and other purposes. The Innes Committee took into account the Master General of Supply, but the organisation was not then quite complete. Six officers have been transferred from lower formations. Certain officers who used to be with the commands have been brought up to Army Headquarters and are now located there but there is no extra expense on their account. On the whole whereas the Innes Committee recommended a total of 133 officers, we have now 158 officers.

*Chairman.*—How many officers were there at the time of the Innes recommendations ?

*Mr. Brayne.*—There were 146 permanent officers.

*Chairman.*—The thirteen additions are due mostly to mechanisation ?

*Mr. Brayne.*—Yes. Of course as regards the cost, the position is this : The Innes Committee recommended savings of Rs. 1,96,000 on officers. The actual reductions brought in Rs. 1,09,000. The Heselstine report which followed on the Innes Committee recommended a reduction in clerical establishment to the extent of 2.64 lakhs, so that including officers and the clerical establishment, the total reduction ought to be Rs. 4.60,000. The actual reduction of officers gives Rs. 1,09,000 and the proposed reorganisation of the clerical establishment will yield over 4 lakhs ultimately so that the two combined should ultimately yield rather more than what the Innes Committee recommended.

*Chairman.*—You realise now bigger economies than the Innes Committee recommended. But there is still a chance of further economy. You have not completed the Innes Committee recommendation as far as the personnel is concerned.

*Mr. Brayne.*—So far as officers are concerned, orders have been passed on all except the two cases which are still under consideration.

*Chairman.*—So there is no probability of a further reduction.

*Mr. Brayne.*—No. Of course some recommendations in respect of clerical establishment can only be carried out gradually. Perhaps the Committee would like to know one of the main recommendations that has been made and accepted and which has given well over 1½ lakhs in saving : there used to be about 35 of what are known as technical clerks with technical knowledge dealing mainly with ordnance questions. These clerks were very expensive. They were brought from the arsenals at an average cost of Rs. 500 or Rs. 600 a clerk. As a result of the special officer's recommendations, 30 out of the 35 clerks have been removed and replaced by routine clerks. That is one of the big economies. 30 soldier technical clerks have now been replaced by Indian clerks.

843. *Mr. Roy.*—Do you feel any difficulty in the Army Council owing to the absence of a civilian Member ?

*Mr. Brayne.*—I do not think I have any difficulty. The Army Secretary is also a civilian member of the Military Council.

*Mr. Roy.*—Don't you think a little more civilian element in the Army Council would strengthen your position ?

*Mr. Brayne.*—I don't think so.

*Mr. Brayne* : I have to inform the committee that what I said about reductions at Army Headquarters is merely my own estimate of the position. I have not been able in the time available to get it accepted by the Army Department.

*Chairman* : The point will be taken up next year with this report.

844. *Chairman* : Now, Sir Frederic what is your general opinion as regards the position of Army audit and accounts, whether you are satisfied with the way in which your recommendations in past years have been acted upon and whether you see signs of improvement ?

*Sir Frederic Gauntlett* : That is dealt with very largely in paragraph 75 which comes right at the end. I already told the committee in another connection that I was satisfied with the Army which was making a genuine attempt to deal with the recommendations of the Public Accounts Committee reinforcing the recommendations of the committee which examined the work in detail. The recommendations of these two committees really constitute a very powerful lever in my opinion.

*Chairman* : You are satisfied with the way in which the comments which you call attention to have been followed up ?

*Sir Frederic Gauntlett* : Entirely.

845. *Mr. Das* : Last year the other committee attached in the form of an annexure the points raised by the Public Accounts Committee and the steps taken. Of course some of it occurs in the Army auditor's report.

*Sir Frederic Gauntlett* : As a matter of fact every single point in Appendices A and B are dealt with in detail in this report. If you read paragraph 4 and onwards, you will find the whole of the first meeting was taken up in dealing with every item in Appendices A and B in detail.

846. *Chairman* : What do you regard as the more important recommendations in these proceedings ?

*Sir Frederic Gauntlett* : You ask me, Sir, whether I would call attention to what I regard as the more important recommendations in these proceedings. The first one is paragraph 6 which has already been dealt with. Next is paragraph 25 which is covered by the preliminary statement of Mr. Brayne with regard to financial control under the stabilised budget. The third point which is of importance from the point of view of improving the existing accounts is contained in paragraph 29. I am sure this committee will endorse the desire that the calculation of true cost of maintenance of fighting units should be brought out as accurately as possible.

*Mr. Brayne* : I think the difficulty is only in the case of British units. The Indian units are fairly accurate, but in the case of British units, expenses, such as capitation rates, are not included in the calculation of cost.

*Sir Frederic Gauntlett* : Again the recommendation towards the improvement of trading accounts and the results of those accounts will be found in paragraph 31. The detailed recommendations there follow very largely the general lines which you, yourself, suggested. Of course, they do not cover everything you said, but they are independent attempts in the same direction.

*Chairman* : I am sure, we should, in future, like to see some sort of report of that kind and there may be quite useful lessons to be learnt

from the Army experience in running undertakings of this kind which might be taken advantage of by the civil side.

*Sir Frederic Gauntlett* : I am going to bring paragraph 31 directly to the notice of the Director of Commercial Audit so that the two can work on the same lines and produce a report in future which will give effect to both your suggestions—a report such as will be presented by a director of a company.

*Chairman* : There is no reason why the annexe that I suggest should not have a balance sheet and a profit and loss account, a general report on all the Army commercial undertakings.

*Mr. Barr* : I think the Army commercial undertakings have certain essential differences from the civil commercial concerns. They are more essentially part of Army organisation. They do not go in for profit and loss. Their main object is to show that they work economically.

*Chairman* : They come very near to certain civil commercial concerns.

*Mr. Barr* : So far as Army commercial concerns are concerned, the overhead charges will be much heavier than in ordinary civil commercial concerns.

*Chairman* : On the other hand, talking in a comparative way, if an Army is manufacturing rifles and we get the account which shows the cost at which rifles are turned out in one year as compared with the previous year, then we get a very valuable guide as to how matters are going on. It is not so much the profit they make as the cost of the article they produce.

*Mr. Barr* : I ventured to offer my remarks as I understood there was a proposal to have a combined annexure containing Civil and Military Commercial concerns and I wished to point out that there was an essential difference between the two. They might be kept apart.

*Chairman* : I am aware of this difference. The Civil statements may however be of use in considering the Military Statements and *vice versa*. What is wanted is a dynamic comparison—one year with another—not a static comparison.

*Mr. Barr* : We should do something on the same lines as the Civil budget.

*Chairman* : I agree that we should do something on the same lines. We might call attention to the increased cost. The tendencies are similar to that which we are getting on the civil side.

847. *Mr. Das* : Can Mr. Barr give us information about the repairs to “Dufferin” at Bombay and how they came to exceed the contract?

*Sir Frederic Gauntlett* : It came out in the Civil Appropriation Accounts and in the course of the examination of the witness of the Commerce Department that whereas there was in the Commerce Department budget provision of Rs. 1½ lakhs for the repair and also for fitting the “Dufferin” as a civil training ship, the actual cost including the money paid to the Army for the Dufferin and the cost of repairs came to Rs. 4 lakhs and the question arose as to who was responsible for the audit of the expenditure incurred by the Superintendent of the Dockyard. I want you to understand that the expenditure is in the civil budget and it is being

undertaken on behalf of the Commeree Department by the Marine Department and the expenditure passes from the Controller of Marine Accounts to the Accountant General, Bombay in whose books it is finally brought to account. Now, what would be the degree of audit exercised by the Controller of Marine Accounts on expenditure such as that and what would be the demarcation of responsibility between the Controller of Marine Accounts and the Accountant General, Bombay.

*Colonel Ellis* : The Controller of Marine Accounts, Bombay is responsible for the correctness of the account.

*Sir Frederic Gauntlett* : Would the Controller of Marine Accounts be supplied with the appropriation for a particular work ?

*Colonel Ellis* : Yes. He certainly should be supplied with information as to the appropriation.

*Sir Frederic Gauntlett* : Is he responsible for audit against detailed estimates and the audit against the civil appropriation ?

*Colonel Ellis* : Yes.

*Sir Frederic Gauntlett* : Have you put forward the view that the Controller of Marine Accounts was primarily responsible the moment that expenditure was incurred without estimates and in excess of appropriation ? Through what channel should he have reported that and to whom ?

*Colonel Ellis* : His first action should be to bring the matter to the notice of the head of the Dockyard ; he should then see that the Civil Department was informed. He should send warning of the extra cost and see that the necessary funds were allotted.

*Sir Frederic Gauntlett* : As I see the position, the A. G., Bombay must of course exercise control against appropriation but he can only do that after the expenditure is passed to him through the exchange account, which involves delay. The question which arises in this Committee is as to whether there was no preliminary obligation on the Controller of Marine Accounts to take action outside the ordinary routine of the exchange account.

*Mr. Barr* : If information of expenditure is not sent to him, he is not responsible. It seems to me that the responsibility must go back to some extent to steps taken by the Commeree Department.

*Colonel Ellis* : If the knowledge was placed before him the Controller of Marine Accounts is responsible for audit action.

*Sir Frederic Gauntlett* : My general impression after the discussion is that I should investigate in conjunction with Mr. Barr and Colonel Ellis what is the exact procedure in a case like this for passing on information to the people who have to undertake preliminary accounting and audit. It is just possible that whereas the Controller of Marine Accounts may have been informed, Mr. Barr, the auditor, may not have been informed. I would like to investigate the machinery further. I shall take this up quite independently of the Committee.

*Chairman* : We shall have to refer to it in our Report. We had the case brought to our notice. We can say we await the result of the Auditor General's examination. The real thing is that when one department employs another to do work for it, there ought to be a proper business

arrangement made just as you would make an arrangement with the contractor who undertakes some work for you. The question of what procedure should be followed should be settled at the time when the contract is placed.

*Sir Frederic Gauntlett* : As against that is the obvious attitude of the Superintendent of the Dockyard " I have got to put this boat right and I shall go ahead with the work quite regardless of the money that is required or the money placed at my disposal."

*Chairman* : It is for the Department on whose behalf work is done to watch him and see how he is getting on.

*Sir Frederic Gauntlett* : There is one more point. There is no indication that this matter was ever brought to the notice of the Finance Department ; it is a question whether other Departments should not bring to the notice of the Finance Department important irregularities which come to their notice.

*Mr. Sanjiva Row* : The matter was brought to the notice of the Finance Department. It is explained in the Memorandum furnished by Mr. Lindsay.

*Chairman* : We will see that the thing is thoroughly looked into now and draw what lessons we can from it.

848. *Sir Frederic Gauntlett* : The next paragraph I have noted on is paragraph 52, in order to draw attention to action which was being taken.

*Maulvi Mohammad Yakub* : Have these orders been drawn up since this report was made ?

*Mr. Brayne* : Apparently they have now been drafted. Mr. Tottenham says he has been in consultation with the Government Solicitor.

*Sir Frederic Gauntlett* : My next paragraph is paragraph 56. This question was dealt with this morning.

*Chairman* : I do not know whether the Committee want to pursue that. They were satisfied with the statement made this morning about war claims generally.

849. *Mr. Das* : The information given about Aden is some relief to us. May I have a little further explanation about the last paragraph ?

*Mr. Burdon* : I explained this morning the position regarding war claims. The claims and counterclaims in respect of Aden charges prior to 1st April 1927 have been merged in the general settlement of war claims between His Majesty's Government and the Government of India.

*Sir Frederic Gauntlett* : The next paragraph is paragraph 59.

*Chairman* : We have dealt with that.

850. *Sir Frederic Gauntlett* : The next paragraph is paragraph 60. The point at issue is whether there should be a separate budget for the factory and a separate account of the factory in which payments made by the Army could appear as receipts of the factory. I think, that is an important question of budgeting arrangement and the opinion of the Committee is expressed in the last five lines.

*Chairman* : There is one sentence here which I think reads rather curiously : " The other P. S. Os. have no interest in the matter, apart from the general interest of each and all in securing the economical administration of the military services,"

*Mr. Brayne.*—The other P. S. Os. take an extremely live interest in the matter.

*Sir Frederic Gauntlett.*—It would have read better if it had stated “The other P. S. Os. have the interest in the economical administration of the military services and therefore the point is still of importance”.

*Mr. Brayne.*—I have had the matter under consideration for some two months now ; I have had several discussions on the matter with the authorities concerned.

851. *Sir Frederic Gauntlett.*—The next important paragraph is paragraph 63, which has already been dealt with by Mr. Brayne. The next paragraph which is of importance from the audit point of view is paragraph 65.

*Mr. Brayne.*—Perhaps this was not made clear to the Army Accounts Committee. In this matter it is only the civilian clerical establishment whose pay is under Rs. 200 that is affected.

*Sir Frederic Gauntlett.*—The perfectly general case was also referred to. In fact I was dealing with a case only yesterday and it to my mind clearly indicated the desirability of rather firmer control. In fact I have supported you in saying that this case must go to the Secretary of State.

*Mr. Neogy.*—Do you take medical opinion in these matters ?

*Mr. Brayne.*—Yes. The cases are dealt with by Medical Boards. If there is a difference of opinion between the Finance authorities and the decision of the Medical Board, it is referred to the Director of Medical Services.

*Sir Frederic Gauntlett.*—There was a case that came up in these papers. Five or six years after a man left the Army, he dies in a village, and the local chaukidar reports that death was due to cough and fever. Is it tuberculosis or is it anything chronic in the lungs ? Somebody has got to decide whether he is entitled to pension. If cough and fever in a village supported by no medical opinion at all is held to be strict proof that he died from war conditions, then it is a little difficult to enforce the regulations. That is the practical difficulty in the matter.

*Mr. Neogy.*—What is the amount involved in these claims ?

*Mr. Brayne.*—Possibly Rs. 8 a month for the widow and Rs. 2 each for the children.

*Mr. Neogy.*—What is the total annual charge for all such cases ?

*Mr. Brayne.*—It is very difficult to say.

*Mr. Burdon.*—I am not sure that it is separately classified.

*Chairman.*—Steps are being taken now.

852. *Sir Frederic Gauntlett.*—The next paragraph is 69. It is a matter which is always with us. I merely called attention to the recommendations in the last five lines of the 1st sub-paragraph and 2nd sub-paragraph. The Engineer-in-Chief quoted the case of an officer who had brought down the percentage of objections to nil.

*Mr. Brayne.*—Colonel Ellis did the same when he was Command Controller by personally taking an interest in the matter.

*Chairman.*—Will you see, Mr. Brayne, that this is taken up ?

*Mr. Brayne.*—Yes, Sir.

*Sir Frederic Gauntlett.*—Then I will refer to the proceedings of the sixth meeting where the Committee formulated its general conclusions and I think every word there deserves study.

853. *Chairman.*—The first question is as regards the lump cut in the total estimate. What do you say to carrying the cuts down to individual heads ?

*Mr. Brayne.*—We are doing that, Sir. In the year 1928-29 the lump cut was only 34 whereas something like 50 lakhs were distributed over various heads. In 1929-30 our estimate was very much closer and so we did not have so many lump cuts.

854. *Mr. Das.*—You say you are stabilising your budget. Your Army Headquarters cost you 2 crores and 2 lakhs. Now you have increased your staff by seven officers for mechanisation. Do you not think that the cost of your Army Headquarters is increasing ?

*Mr. Brayne.*—Taking the clerical establishment and the officers' establishment together I think there is a reduction.

855. *Chairman.*—Paragraph 74. The important recommendation is about the appointment of a whole-time expert to control and watch the progress of expenditure and to devote unceasing attention to the improvement of methods of budgeting and expenditure control.

*Mr. Brayne.*—Perhaps the Committee did not quite appreciate the fact that I have had a Budget Officer practically full-time since 1925, but he is a Deputy Financial Adviser and so far he is on a three years' tenure. But he is practically full-time. I give him certain additional duties which do not take up much of his time.

*Mr. Neogy.*—Perhaps stress is laid on the word "expert".

*Mr. Brayne.*—The first officer appointed Budget Officer in 1925 was of the same class as the present Budget Officer in the Finance Department.

*Chairman.*—Are you satisfied that the work is being done satisfactorily ?

*Mr. Brayne.*—We are getting much better control of it now. I admit that in the past, chiefly because of the change from one system of accounts to another, it has been difficult to keep a scientific record from year to year, but now we have started keeping for each head of appropriation a separate record showing the variations from year to year and month to month and quarter to quarter, and the causes of these variations. So that now there will be much more accurate accounting than in the past.

*Chairman.*—Have you got anything to say about that, Mr. Burdon ?

*Mr. Burdon.*—What the Committee had in mind is the same thing as I am advocating on the civil side. What was meant by the word "expert" is a specialist who will be continuously employed on this particular work.

*Mr. Brayne.*—That is the trouble. You see the Budget Officer has been a Deputy Financial Adviser and thus on three years' tenure. The first officer was three years in his appointment and then reverted to a district office. The next officer was only a year in the post and then reverted to a command as he was due for promotion. The present officer has just taken over. He is still classed as Deputy Financial Adviser.

*Chairman.*—You want a longer tenure?

*Mr. Brayne.*—Yes.

*Mr. Burdon.*—You want a Budget Officer who has been specially trained right from the beginning, in place of a Deputy Financial Adviser?

*Mr. Brayne.*—Yes; the limited tenure is wrong.

*Sir Frederic Gauntlett.*—Paragraph 75. I should like to make a comment here. The Committee will see that there are three alterations in the paragraph as printed. The second alteration is merely to make accurate a statement that Mr. Barr made. The reason for these alterations is that the military authorities have always been responsible for the compilation of their own accounts. Up to the time of Mr. Barr's appointment the Military Accounts Department was also responsible for its own audit and there was no other audit. Since Mr. Barr's appointment there has been an independent audit under me conducted by Mr. Barr and it is merely because the previous statements were a little inaccurate in substance that they have been cut out. It does not mean that we do not wish to say that Mr. Barr's audit is quite efficient; they have merely been cut out so as to make perfectly accurate a statement of what was entailed when Mr. Barr came in and undertook this work.

I should like to dwell upon the last four lines because it is of very great importance in relation to the question of the separation of audit and accounts. One of the main reasons for the success of the scheme of this independent audit in conjunction with the Army is that very much of the expenditure is incurred actually at headquarters where the papers can come directly under Mr. Barr's own scrutiny and it is an opportunity which is quite unique among audit officers in the fact that he is able to deal at headquarters with such an enormous proportion of financial responsibilities, and you get the work concentrated in the hands of the head-man far more than is possible in any other branch of our work.

*Chairman.*—There is just one remark of a general nature which I should like to make. Mr. Brayne said that his work was getting on satisfactorily so far as control is concerned. I think that very important steps towards effecting economies have been taken in the Army, but I do not think that that is going to be the last word. There will be all sorts of other steps to be taken in the future and it will be the business of the Government of India to keep up the hunt for economies in the Army and not be satisfied by what is being effected under the present system.

*Colonel Gidney.*—I desire to associate myself with you. I think there is an improvement and a genuine desire for economy in the Army.

*Chairman.*—To that extent we can say that a good step has been taken.



856. *Mr. Das.*—There is a small point I should like to refer to arising out of paragraph 54 at page 76 in connection with paragraph 51 (a) of the Auditor-General's letter and paragraph 2 of the Report of the Home Auditor on the Secretary of State's Accounts. It seems that during the passage Indian officers were allowed to draw allowances which only British regiments are allowed and the Home Auditor has commented that this ought not to have been done. The Committee thought it desirable that the whole matter should be examined by a financial officer in consultation with the Auditor-General "the result being communicated to the Home Auditor if this is found to be necessary". I suggest that it should be communicated to this Committee also, because it is an instance of the Lee concessions going out by the back-door.

*Chairman.*—We will see that it is communicated to this Committee.





